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**FOREIGN  
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# ***JPRS Report***

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## **West Europe**

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13 AUGUST 1987

## WEST EUROPE

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## FRANCOPHONE SOCIAL CHRISTIANS PATCH UP RIFTS

## Ten Points Adopted

Brussels LE SOIR in French 24 Jun 87 p 2

[Article by Ch. B.]

[Text] Everyone has won, or rather, no one has lost face. Monday, during the "meeting of exceptional importance" scheduled for the leadership committee, expanded to include parliamentary groups and arrondissement officials, the PSC chose the straight path of internal reconciliation. President Deprez read a long statement which, on the one hand, recalled the 10 priority points in the party's political line, while on the other reasserting its confidence in the actions of the president and the Social Christian ministers.

The cease-fire was announced on the French-speaking side of the Rue des Deux-Eglises, where the Social Christian Party has its headquarters. Everyone remains where he was and no one has been repudiated. The leadership committee decided that in the face of adversity, it had no choice but to remain steadfast, and it was in a fully ecumenical spirit that both parts of the statement were unanimously approved by the participants, except for three abstentions in the one case, and four in the other.

Despite the criticisms which have been voiced within the party in these recent days, it has confirmed its "total confidence in the team of PSC ministers," while noting in passing that it comes "under the authority of the deputy prime minister, Philippe Maystadt."

## A Ten-Point Line

Not only, then, did Deprez not resign from the presidency as he had said he would do if his line was not pursued, but also, and on the contrary, he was overwhelmingly confirmed in his post. He was termed the "guarantor of the implementation of the program and the consequences which respecting it will entail." He was assured of "unanimous support," and according to the bylaws, the leadership committee announced its decision, adopted on the proposal of Melchior Wathelet, to "offer him a third term as national president of the PSC" when the time comes for the internal elections scheduled for the autumn.

As to the 10 points in the "political line," they only confirm the previous positions, but their reiteration is nonetheless significant. On the budget, it is necessary to set a "realistic" goal in terms of the net balance to be financed. "Within the current economic context, this does not seem to us to be the case with regard to the Verhofstadt proposals for achieving 7 percent beginning in 1988," Deprez explained. On jobs, supplementary resources are needed. On fiscal reform, it should include full separation of the income of spouses, an increase in the deductions for dependent children and a limitation of 50 percent on the tax on labor income. Let us note that in the view of the PSC, the measures favoring employment in fiscal reform should be carried forward in concerted fashion, without giving priority to one or the other of these proposals as a function of available budget resources.

In the community sector, the Social Christians are awaiting the government decision as to the conclusions to be drawn from the opinion of the Council of State on the Happart affair, in the belief that it was not "they who challenged the Lambermont agreement." As a result, they are demanding that a draft law be submitted, but without specifying when, which would guarantee, on the recommendation of the minister of interior, legal safeguards for the communal officeholders in the communes with special statutes.

There are, finally, two points--only two among various others--which are nonetheless of special importance within the context of the PSC itself. They are, first of all, the rejection of any compulsory merger of communes in the Brussels agglomeration, which goes against the stated preference of Joseph Michel. And then the elimination of the solidarity contribution required of government employees beginning on 1 January 1988. While some see this as an additional stone for Michel's garden, others nonetheless note that the phrase "beginning on" can be reconciled with the concept of "gradual elimination" of this payment, consistent with the intention expressed by Joseph Michel to the Parliament.

#### Commentator on Problems

Brussels LE SOIR in French 24 Jun 87 p 2

[Article by Ch. B.]

[Text] A crisis? In the PSC? You're dreaming. Or else you are seeking to destroy stability in the party. Because what you are doing, using the pretext of objectivity, is to play into the hands of its opponents.

This is indeed war. On Monday, the French-speaking Social Christians decided to keep their counsel, and at the cost of a "nonevent," to proclaim to the world that everyone is being nice. What better action, in a hostile environment, than to close ranks?

And Deprez? As a president, one cannot do better. The proof is that, at the instigation of parliamentary groups first of all, and Melchior Wathelet subsequently, the expanded leadership committee has now decided to propose his candidacy officially for another presidential term. A win for Deprez. In the course of this process, he has virtually eliminated his only serious potential

competitor--Charles-Ferdinand Nothomb, who did not even take the trouble, moreover, to be in Brussels on Monday. Because all bets were already down.

And what about the Social Christian ministers? They are doing the best they can. And that is not easy, believe us, with these greedy Flemish brutes and these liberals who fear neither God nor man and are solely concerned with misleading an electorate which is being tragically manipulated by the mass media.

A caricature? Of course. One cannot decently expect a political party which has no death wish to make a willing display in public of its internal differences (which are, moreover, entirely normal) or to wash its dirty linen other than in private.

Thus the leaders of the PSC rescued what they could. In order to do so, they had to pay a price which one might break down as follows.

1. An effort was made to forget Fouron and the heady scent of utter rout in this connection. In the short run, it was agreed that it should be stated that matters have not been settled and that the government should still take steps to implement the Council of State decrees, with an assessment of the conclusions to be drawn from the opinions handed down by its legislative section.

2. An effort was made to patch up the differences which developed in recent weeks between the party leadership and the ministers. To achieve this, a "political line" involving 10 points has been set forth, which while having the appearance of firmness, nonetheless does represent a compromise between the "ministerial" faction and the "pro-party" faction. Note, for example, the position taken on the elimination of the government employees' solidarity contribution, which merits a second reading.

3. "Total confidence" in the team of PSC ministers has been reasserted, with the mention, as if there were need, that it comes under the authority of the deputy prime minister, Philippe Maystadt. He has, however, been given a 10-point mandate, but one vague enough to allow him room to maneuver.

4. Gerard Deprez has been put back on the throne, with great pomp, as the guardian of Social Christian legitimacy, blocking in the process, the internal debate which would have developed at the end of 1987 or the beginning of 1988 concerning the choice of a new president.

At that price, everyone is happy--Gerard Deprez, who has seen his nominal authority confirmed; the ministers, who have not be repudiated; and the Social Christian "nomenklatura," with the appearance of unity preserved.

But the Social Christian voter will judge the tree by its fruit, which will be harvested at the conclusion of the debate within the coalition on the budget, fiscal and social matters for which the statutory period is now beginning. Oh, if only it had not been necessary to endure this rotten spring....



## Party Leaders Profiled

Brussels LE SOIR in French 24 Jun 87 p 2

[Text] Gerard Deprez

Deprez is an authoritarian and mistrustful technocrat. The incumbent president has become the pet aversion of the Flemings because of his attitude in the Happart affair. Advancing to the foreground after having worked in the wings for a long time, first within the party and then in government departments, his relations with those who must implement the party policy are usually somewhat strained. These people include Jose Desmarets, whose office staff he headed in 1981; Paul Vanden Boeynants, to whose defeat he contributed, with the assistance of the arrondissement presidents; and now these ministers whose actions did not seem to him radical enough--Nothomb, during Martens V and VI; Maystadt, who disappointed him as deputy prime minister; Michel, who cares not a fig for him; and Wathélet, who for several days now has ignored him.

Philippe Maystadt

Maystadt did brilliant work with the budget, was competent in economic affairs and was an electoral locomotive in Charleroi. He has long played the main role in what might well have been a posthumous cartoon strip by Herge entitled "Tintin on the Rue de la Loi." Having reached the top level in the hierarchy of French-speaking Social Christian ministers, he is uncomfortable during purely political debates and in relations involving crude strength. He is a man who prefers written records, and his natural reserve, which is almost timidity, has deprived this deputy prime minister of authority, rendering him somewhat unreliable in the eyes of his CVP and liberal partners. The ups and downs of recent weeks have done him harm, and it said that he dreams of distancing himself somewhat. If only Willy De Clercq were closer to the end of his term on the European commission...

Joseph Michel

This good man reluctantly tore himself away from his plow in October of 1986 to return to the Rue de la Loi to play Cincinnatus again. The fact that he had not sought the post and no longer expects anything from political life guaranteed him a position of extraordinary strength. He does not hesitate to make use of it in dealing with his party, which he warned of that fact, moreover, when he agreed to take over from Charles-Ferdinand Nothomb. One cannot manipulate Joseph Michel, who stubbornly pursues his own course against wind and tide, and without too much concern for the storms he creates. He says of himself that he is without a doubt a minister "of the old school," from the time when political parties did not as yet have the importance they have taken on in the contemporary political game.

Charles-Ferdinand Nothomb

Nothomb was a great party president, a poor minister and a disastrous president of the Chamber of Representatives. This does not seem to bother

him, inasmuch as he reveals an extraordinary capacity to resist criticism, if not insults. Imaginative and unmethodical, he nonetheless holds to certain key ideas he believes he sees "in the stars" as rediscovered virtues of the great Social Christian family. Still popular with the base levels of the party, he derives his strength from his capacity to say "no" while appearing to say "yes." He has recently been planning his comeback, probably eyeing the presidency of the PSC, where he achieved his only undeniable successes. The closing of ranks around Deprez was for him like finding a hair in his soup.

#### Melchior Wathelet

Wathelet was born 38 years ago on the same street as Maystadt in Petit-Rechain, and his image is the opposite that of the present deputy prime minister. With him everything is "mediatized," and his strong point is the charisma so cruelly lacking in Maystadt. Politically skillful, he does not charge out of the trenches, for example to launch his "Petit-Rechain appeal," until success is sure, and he spends the rest of the time working to refine his image as the man of the future. His best chance of a leadership post in his party will come when it becomes necessary to ensure a takeover, a new push or an appeal. His tendency is rather to hold himself in reserve for the republic and to watch all of this agitation from afar, contenting himself with contributing his (large) grain of salt when he deems the moment opportune.

5157

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## FAROE ISLAND'S NEWSPAPER ON ATTITUDES TOWARD NATO

Reykjavik MORGUNBLADID in Icelandic 23 Jun 87 p 9

[Commentary by 'Staksteinar': "Peace Meeting in the Faroe Islands"]

[Text] Peace Meeting in the Faroe Islands

In the afternoon of Whitsun Sunday, the Youth Organizations of the Union Party and the People's Party, along with the Freedom Organization Vesturleid in the Faroe Islands, called for a peace meeting in the Gongugatan Street in Thorshavn attended by a fairly large group of people. At the meeting, the cause of the North Atlantic Treaty Organization was promoted, which is a welcome novelty at a meeting such as this. The newspaper DIMMALAETTEING recently reported on this meeting and various other facts about the attitudes of the Faroese to international security affairs. STAKSTEINAR will discuss this topic today.

## NATO Ensures Peace

According to DIMMALAETTING [main newspaper in the Faroe Islands], several hundred people attended the peace meeting in Thorshavn. Speeches were made and group singing was conducted and among the songs were the "NATO Verse," written by a young man from Fuglfiord about the peace efforts of the North Atlantic Treaty Organization. Among the speakers were Trygvi F. Guttesen who is one of the leaders of the Union Party. He emphasized that the party had always had a firm opinion on the value of membership in NATO but other parties had been vacillating. The People's Party had been against the Alliance but changed its policy about 1 year ago. Various opinions now prevail within the Social Democratic party, and the firmness that previously prevailed in the position to this issue is no longer present.

Trygvi Guttesen said that he would like to have the situation in the world such that neither NATO nor the Warsaw Pact were needed. But people must not forget why NATO was founded. It had been established as a response to the aggression of communists in East Europe after World War II. There is no doubt that since then NATO has prevented the Soviet plan to firmly install communism in all Europe. He then referred to the difference of opinion within the Alliance in the past years, and he criticized the policy of Anker Jorgensen and Danish Social Democrats who always seem to include a footnote



in their support of the defense policy of NATO. He said that this policy of Danish Social Democrats affects their party colleagues in the Faroe Islands, and that was the explanation for their confusion in their position of late.

"It is not possible to separate peace and freedom--the two will always be connected. It is therefore nonsense when the leaders of the dictatorial countries are announcing peace. How can communists speak about peace when they don't even dare promise their citizens that they will be able to live in freedom? If they had governed their countries in accordance with the wishes of the people, peace would prevail and there would be no need for the North Atlantic Treaty Organization and the Warsaw Pact," said Guttesen.

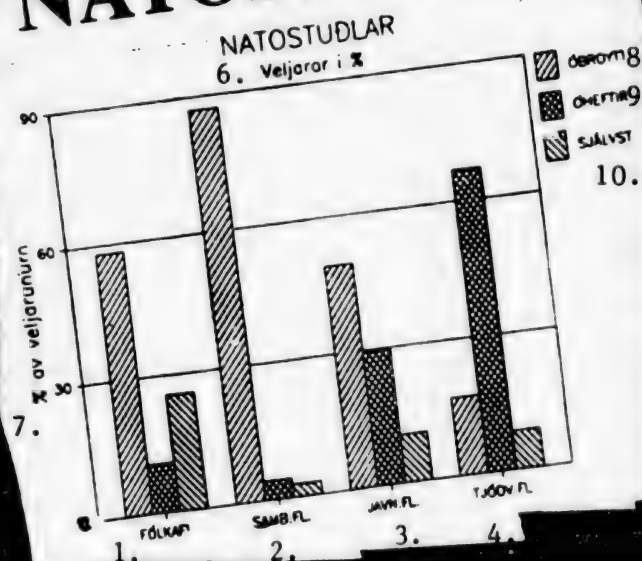
#### Support for NATO

The DIMMALAETTING also reports on the results of a recent poll taken on the position of people in the Faroe Islands on the North Atlantic Treaty Organization. Answers were received from 529 people; 129 supporters of the People's Party; 139 supporters of the Union Party; 122 supporters of the Social Democratic party and 139 supporters of the Republic Party (cf. graph above). The people were asked whether they preferred continued membership in NATO with unchanged arrangement, i.e., membership via Denmark (unchanged); whether people preferred withdrawal from NATO (unrestricted); or an independent membership in NATO (independent).

It came forth that the greatest antipodes were between the supporters of the Union Party and the Republic Party, but there was greater similarity with the positions taken by the supporters of the People's Party and the Social Democratic Party.

Of the people polled, 87.1 percent of the supporters of the Union Party and almost 60 percent of the supporters of the People's party were in favor of unchanged membership in NATO but 66.9 percent of the supporters of the Republic Party wanted withdrawal from NATO. The same view was held by 30 percent of the supporters of the Social Democratic Party, but about 50 percent of the supporters wanted an unchanged membership. The greatest support for independent membership in NATO was within the People's Party, almost 30 percent, but almost none in the other parties.

# 5. NATOSTUÐLAR



## KEY:

- 1) People's Party [Conservative, pro-Independence]
- 2) Union Party [Liberal, pro-Denmark]
- 3) Social Democratic Party
- 4) Republic Party [Populist Socialists]
- 5) NATO graphs
- 6) Voters
- 7) Percentage of voters
- 8) Unchanged
- 9) Unrestricted
- 10) Independent

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## SUPPORT FOR KOIVISTO FAR EXCEEDS THAT FOR SOCIAL DEMOCRATS

## SDP Poll Gain Slight

Helsinki HELSINGIN SANOMAT in Finnish 3 Jun 87 p 9

[Article: "SDP's Support Up Slightly"]

[Text] Support for the Social Democrats has increased slightly since the March parliamentary elections and government solution at the end of April. In an opinion poll conducted in May, Taloustutkimus Oy [Economic Research Company] calculated support for the SDP to be 25.7 percent while the party received 24.1 percent of the votes in the March elections. The increase is 1.6 percentage points.

Support for the Greens was 1.4 percentage units greater in the May poll than in the March parliamentary elections. Support for the Taistoite [Stalinist] party Deva [Democratic Alternative], for its part, dropped 1.3 percentage points since the elections. No significant fluctuations occurred in the support of the other parties.

The poll was conducted at the request of UUSI SUOMI in the period 3-28 May or soon after the blue-red government was formed on the basis of the Conservative Party and the SDP. The poll encompassed 1,911 voting age Finnish citizens. They were asked which party they would vote for if municipal elections were held now.

Party support in percentages was as follows in May on the basis of the poll (the share of support in the parliamentary elections is in parentheses):

SDP 25.7 (24.1), SKDL [Finnish People's Democratic League] 8.6 (9.4), Deva 2.9 (4.2), Conservative Party 23.6 (23.1), Center Party 17.0 (17.6), SMP [Finnish Rural Party] 5.5 (6.3), RKP [Swedish People's Party] 4.9 (5.3), SKL [Finnish Christian League] 2.3 (2.6), LKP [Liberal People's Party] 0.8 (1.0), POP [Constitutionalist Right-Wing Party] 0.2 (0.1), Greens 5.4 (4.0), SEP 1.7 (1.2), and others 1.4 (0.9).

On the eve of May Day, the Conservative Party, the Social Democrats, the Swedish People's Party, and the Rural Party entered the new government. At that time, the Center Party moved into opposition.

#### Koivisto Strongly Outdistances Rivals

Helsinki HELSINGIN SANOMAT in Finnish 4 Jun 87 p 3

[Article: "Koivisto's Support Continues To Be Overwhelming"]

[Text] President Mauno Koivisto's support is overwhelming even on the basis of the most recent opinion poll. According to a poll conducted by the M-Data Center at the request of SEURA, 63 percent of the respondents declared that they will vote for Koivisto as the next president if he is up for election. When Koivisto's support is calculated from among those who have their own presidential candidate, his popularity increases to nearly 70 percent.

Harri Holkeri's support was 12 percent, Paavo Vayrynen's was 7, and Kalevi Kivisto's support was 5 percent.

In the opinion of the respondents, Koivisto clearly has the most foreign policy skill, for example, honesty, ability to cooperate, and credibility. However, Holkeri is considered to be the more capable candidate with respect to economic policy.

The poll encompassed 460 people.

#### Lag Troubling for SDP

Helsinki HELSINGIN SANOMAT in Finnish 5 Jun 87 p 2

[Editorial: "SDP Continues To Ride with Koivisto"]

[Text] It is undoubtedly a great disappointment to the Social Democrats that Mauno Koivisto's personal popularity did not generate any additional support for the party in the parliamentary elections. Nevertheless, it is doubtful that Koivisto has not been beneficial from the point of view of the SDP. On the contrary, he is still sorely needed as someone to raise spirits after the election defeat and in preparing for the new presidential elections, in which the parties will continue to play a central role in spite of the change in the election method.

The nomination of a presidential candidate along with its fairy-tale theatrics took place immediately as the final climax of the first day of the SDP's congress. Without it, the opening day would have been quite dull and contradictory. The election defeat and the government solution rankle the rank and file. The presidential question, on the other hand, is a welcome relief. As of Thursday evening, Koivisto is the SDP's official presidential candidate even though the actual election campaign will not commence for a long time.

Kalevi Sorsa, who is resigning after 12 successive years as chairman, did not consider the most recent policy situation report as the right time for presenting his own political balancing of accounts not to mention a last will and testament. Sorsa was satisfied with following the views presented many times in public on recent political events.

Those attending the congress also waited in vain for an accounting from the resigning Party Secretary Erkki Liikanen, who quickly accepted the post of finance minister after the election defeat. A critical analysis of the party's situation remained primarily an issue for the delegates to the congress.

On the other hand, Sorsa did not completely forget self-criticism. In praising the Social Democrats for generally managing affairs well he admitted that "our essence as social reformer is not as convincing". The party needs policies which will change this view "fundamentally and substantially".

Sorsa was also ready to admit the failure of the party's election campaign. The SDP's support declined during the election campaign in particular. He seemed to place the blame on the promoters of the election campaign or primarily on Party Secretary Liikanen.

Sorsa's analysis of the reasons for the disintegration of red earth cooperation in the usual manner attacked Paavo Vayrynen's "naked" power policy "unscrupulousness" and aspiration to derail the SDP at any price. On the other hand, Sorsa saw many more objective reasons for changing the SDP's ruling partner: the Center Party's inability to adapt as a traditional party promoting rural interests to the demands of a new social transition.

According to Sorsa, the SDP and the Center Party are increasingly at odds in agricultural policy, employment and housing questions, taxation, and the securing of services for population centers. Naturally, the conclusion is that cooperation with the Conservative Party is more trustworthy for the Social Democrats than with the Center Party. Prudently, however, Sorsa refrained from directly coming to that conclusion to which he was being led by the audience itself. Red earth cooperation has long traditions in the party, and experiences of cooperation with the Conservative Party are still nonexistent. The government solution may gnaw away at the SDP's unity rather badly as Sorsa's authority wanes.

10576

CSO: 3617/108



## VAYRYNEN ACTS TO REMOVE FOREIGN POLICY FROM CAMPAIGN

## Seeks to Bolster Image

Helsinki HELSINGIN SANOMAT in Finnish 11 Jun 87 p 9

[Article by Arto Astikainen: "Supporters from Other Parties Sought for Vayrynen Too; Presidential Election Campaign Will Come to a Head in January; Center Party Is Trying to Improve Its Candidate's Poor Image"]

[Text] Like the Social Democrats and the People's Democrats, the Center Party (KEPU) is looking for supporters from other parties and from among those independent of any party and for elector candidates for its own presidential candidate, Paavo Vayrynen.

Aside from well-known independent citizens, they are also fixing their sights on representatives of the Swedish People's Party (RKP), the Finnish Christian League (SKL), the Liberal Party (LKP) and even the Finnish Rural Party as elector candidates for Vayrynen.

The KEPU party administration sketched the general outlines of their presidential election campaign on Wednesday. In the KEPU they have verified the fact that they will apparently not be able to enter into common election coalitions with the other parties of the Center in the presidential elections next winter because the other parties of the Center are not nominating presidential candidates for themselves at all.

According to the new presidential election system, only those parties that have nominated presidential candidates for themselves, candidates from either their own or another party, may participate in the elector elections. If the RKP, the SKL and the LKP do not nominate any presidential candidates, the KEPU cannot enter into an election coalition with them. This is why in the KEPU they plan to seek out representatives of the neighbor parties for the KEPU tickets as Vayrynen elector candidates.

The party has already begun its search for supporters and lists of potential candidates have been drawn up, but no decisions have yet been made. Nor were those in the party willing to say whom they want to back Vayrynen.

"We are keeping the doors wide open, but it may be that not many outsiders will be coming through them," they said in the KEPU party bureau.

The parties and citizens groups of [at least] 20,000 must nominate their presidential candidates by 15 October. Elector candidates will be nominated after that.

#### Lassi Jaakkola Heads Campaign

Paavo Vayrynen's presidential campaign will apparently be inaugurated at a celebration to be held in Oulu at the end of August. During the fall Vayrynen plans to make a speaking tour of the different parts of the country and the campaign will go into high gear in January, a few weeks before the elections.

Vayrynen has Lasse Jaakkola of the party bureau to act as his campaign chief. Under Jaakkola's direction they will set up a five or six-man office that will take care of the practical arrangements for the election campaign. There will also be some sort of executive committee for the campaign leader and as a support for Vayrynen.

In the KEPU they estimate that in the fall Vayrynen will conduct an election campaign at primarily the same level as SKDL candidate Kalevi Kivisto. Both are giving policy speeches and otherwise outlining prospects for the future. The KEPU leadership predicts that SDP candidate Mauno Koivisto and the Conservative Party's Harri Holkeri will mainly just sit and wait, at least this summer, and let the elections come, none the worse for not having campaigned.

They have begun to improve Vayrynen's soiled image at a rapid rate. Those close to Vayrynen have given the presidential candidate pointers "in the form of a set of image features" on how to conduct himself so that the candidate may dispel the image he has of being a quarrelsome person and petty politician.

Associated with this image mending is the fact that Vayrynen is now silent on the sidelines and that party secretary Seppo Kaariainen does the growling for the KEPU when necessary. A few interviews and speeches will break Vayrynen's silence this summer until the special party council meeting and celebration at the end of August when he will again visibly step into the limelight with a presidential election campaign policy speech.

Vayrynen is entering the presidential elections in earnest even though support for him in the opinion polls is now only a few percent of the population. In the KEPU they feel that support for him can only climb from the present figures and Koivisto's direct election in a national referendum has by no means been publicly announced in the churches.

#### Criticism of Conservative Party Continues

Aside from consideration of the presidential elections on Wednesday, in the KEPU party administration they continued discussion of the party's having to join the opposition and its actions in it. Discussion of this was suspended a couple of weeks ago.

The party leadership was further criticized for its role in the government negotiations, but there was criticism enough outside of that as well.



The focus of the criticism shifted from the Social Democrats to the Conservative Party, which is seen as a traitor in the eyes of the Centrists.

A Pohjanmaa member of the party administration noted that the KEPU has had to keep its eyes on the Conservative Party's hand and negotiate cooperation in the government several times in this century and that now this has been accomplished. It will no longer be raised as an issue in our generation.

The SDP's rate of exchange has begun to rise on the KEPU stock exchange and they want to rebuild the bridges Vayrynen has burnt behind them.

They did not evaluate the SDP party congress decisions in the party administration, but they were viewed in an optimistic light in the party bureau. The new SDP chairman, Pertti Paasio, is a known Center-Left man and "a non-Lipponen man has been elected party secretary."

#### Holkeri Angered by Charge

Helsinki HELSINGIN SANOMAT in Finnish 14 Jun 87 p 10

[Article: "Holkeri Snarls at Doubters of His Administration's Foreign Policy"]

[Text] Oulu (HS)--speaking at the Conservative Party congress in Oulu, Prime Minister and presidential candidate Harri Holkeri in most presidential language forbid others to supplement his statements on foreign policy.

Holkeri addressed his words in particular to Kunto Kalpa, the pen name of a commentator for the Centrist newspaper KESKISUOMALAINEN, who found gaps in the foreign policy of the Holkeri administration's program.

When he was formulating his policy line for the congress, Holkeri announced that he had no intention of going ahead and repeating a list of self-evident facts.

"While I do not go into in connection with this, say, the key importance of the Paasikivi-Kekkonen policy line, foreign policy, our country's active, peace-seeking neutrality policy and the Friendship, Cooperation and Mutual Assistance Pact in any greater detail, I do not give some 'Kunto Kalpa' or any other writer with or without a pen name leave to supplement my words with his own assumptions," Holkeri said.

He was astonished by the expectation that the government--the constituting of which involved a considerable number of domestic policy danger factors--would not have the slightest need to take that greatest of risks, undertaking to change the course of Finland's foreign policy.

"Let the greatest political achievement of our national integrity, Finland's foreign policy, continue to be a subject on which there is no dividing line between the views of the government and those of the opposition," Holkeri said.

## Conservative-Left Coalition Is No Treasure

Holkeri warned his party against the belief that the new Conservative-Left government coalition is the solution to all our problems.

He said that the new coalition is no treasure discovered by surprise, an unprecedented sudden source of wealth with which, by dipping into it, we can cure all our troubles.

In his opinion, in the government they will have to on the contrary carefully consider how our scarce resources are to be distributed. Holkeri felt that they would come up against this in all earnest for the first time in putting together next year's budget.

He hoped that his own people would be the first to be aware of this scarcity of resources.

He set an example with his unassuming manner in appearing in the congress hall without any more special formalities. He managed to slip into the first row of seats without applause from the congress delegates, who the day before had even applauded the telegrams sent by the congress.

## With the Tide in the Government

In spite of the low-keyed start, a measure of new pathos was present in the singing of the party theme song that resounded in Oulu Hall at the beginning of the congress: A chorus of the Conservative Party's own ministers joined in the singing from the front row after an interval of 21 years.

Holkeri estimated that he could give some sort of description of the state of the government since the daily routine has begun in his work and the rules of etiquette with the opposition have been determined right down to demanding an accounting of the administration.

In his opinion, a spirit of straightforward, honest activity has prevailed in the coalition government of the two biggest parties.

"Joint responsibility for affairs creates a different kind of competitive tension and stress than before, which gives us a chance of achieving better results than if the two parties were to set themselves against one another," Holkeri said and thought that the tide was picking up speed.

In conclusion, Holkeri assured his listeners that his government represents not only the South, but looks after the interests of the entire country and keeps private individuals in mind.

"Citizens are not subjects of the administration, but coexist with it and exert their influence in the democratic process."

### 'Kunto Kalpa' Renews Attack

Helsinki HELSINGIN SANOMAT in Finnish 16 Jun 87 p 9

[Text] The Centrist KESKISUOMALAINEN writer who uses the pen name, Kunto Kalpa, continued to take potshots at Prime Minister Harri Holkeri (Conservative) and Foreign Minister Kalevi Sorsa (Social Democrat) in the Monday edition of the newspaper.

#### Sorsa Himself

"Kunto Kalpa has received some mail. Greetings from the prime minister and a jab from the foreign minister. Our conclusion as to what happened is obvious. In making merry with the government's foreign policy program, the undersigned put his thumb on such a sore and tender spot that an outcry followed immediately," Kunto Kalpa writes.

"Sorsa's response might have been to offer the material for a public foreign policy debate with Kunto Kalpa. Now he will regrettably not do that since a change of opinion will scarcely be produced if the other party argues like this: Kunto Kalpa is wrong because I say so, and the government's program cannot narrow the interpretation of the Friendship, Cooperation and Mutual Assistance Pact because it is based on my government's wording. How was it Julius Sarkela himself stated it: There is only one kind of right principle. And I have them."

Kunto Kalpa defends his use of a pen name by claiming that in Finland contradicting someone is regarded as so great an insult and criticism of those in power so serious a crime that the objects of same are capable of persecuting the critic right up to the second and third generations.

"When Kunto Kalpa crossed swords with the SDP leaders on behalf of the president, they got so mercilessly angry over the affair that they were ready to haul the first ones suspected of being behind the pen name straight to the stake for burning."

#### Vayrynen: Basic Line Unchanged

Helsinki HELSINGIN SANOMAT in Finnish 18 Jun 87 p 11

[Article: "Paavo Vayrynen: Present Administration's Foreign Policy Is the Right One"]

[Text] There are no points emphasized in the present administration's foreign policy program that deviate from those of the programs of previous administrations. This is the opinion of Center Party chairman and former Foreign Minister Paavo Vayrynen.

A writer for KESKISUOMALAINEN using the pen name, Kunto Kalpa, has criticized the wording of that part of the government's program concerning foreign policy. At a political editors' conference in Helsinki on Wednesday, Vayrynen denied that he knew who is using the pen name, Kunto Kalpa.

Vayrynen felt that it was natural too for the formulation of foreign policy to have a life of its own and be reshaped in different government programs. He nevertheless stressed the fact that the basic foreign policy line is unchanged.

Vayrynen described the atmosphere in the Center Party, having surprisingly landed in the opposition, as healthy, unanimous and tolerant of criticism. According to him, the party's biggest problem is public notice: Are the positions adopted by the Center Party crossing the threshold of public notice now that it no longer occupies a position in the government? Vayrynen conceded that a critical opposition stance does not suit his party.

Vayrynen himself is concentrating on his presidential candidacy and topical political appraisals are the concern of the other party leaders. Vayrynen will begin his presidential election campaign in the fall and he did not want to go into any details on it. Vayrynen thought that the election coalitions may yet change.

#### Balance of Power Should Be Revised

Vayrynen also plans to concentrate on major policy lines in conducting his presidential election campaign. He said on Wednesday that he is concerned that a broad discussion of Finland's course in a changing world that is becoming more and more international may not be entered into.

"It's as if we had gotten into a rut in which we can only decide at which rate the inevitable change of structure and our internationalization will progress."

According to Vayrynen, we ought to concentrate on how Finland's economic independence can be protected in a merging Western world. In addition, he would like to broadly discuss whether we should build a green information society in Finland or a centralized society a la MP Tiuri.

In Vayrynen's opinion, we ought to start to unburden ourselves of a balance of power that is centered on economic affairs. He stressed the fact that in Finland a couple of commercial banks have inordinate power, more than anywhere else in the world. He noted that whether a stronger power will determine [our fate] or whether we are capable of decentralizing power will depend on Parliament and the government.

Vayrynen would also like to raise politics to a new level of esteem.

"The attitude has recently been a bit like: Take the politics out of politics."

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CSO: 3617/115



## HARD-LINE CP PRESS ORGAN ON EXPULSION OF ITS YOUTH GROUPS

Helsinki TIEDONANTAJA in Finnish 19 May 87 p 11

[Article: "Youth League Leadership Suspended 500 Sections"]

[Text] The leadership of the Finnish Democratic Youth League suspended approximately 500 primary sections from the league at a meeting of the league's central governing board held on Sunday. At the meeting, which lasted 15 minutes, approximately half of the league's operating sections and members were expelled from the league.

The Council of Red Youth, which represents the sections and members expelled from the Youth League had proposed to the central governing board of the SDNL [Finnish Democratic Youth League] that the expulsion be rescinded and that actions for restoring political unity be adopted.

The proposal of the PNN [Council of Red Youth] was noted for the record at the meeting.

PNN Chairman Markku Kangaspuro thought yesterday that the expulsions now put into effect and the refusal to discuss the PNN's initiative are a sign of weakness.

"The central governing board accepted the responsibility for dissolution of the whole league. It is clear that after this, the SDNL cannot be called a revolutionary youth organization.

"A large number of the more active and knowledgeable members were thrown out of the league. This in itself means a change in the nature of the league."

Kangaspuro emphasizes the great significance of the preparations for a meeting to be convened in the fall to establish a new revolutionary youth league.

"A policy document as well as regulations, which will be submitted to the membership for approval at the end of May, are being prepared.

"We now have a lot more experience in the development of a youth movement than we did a year ago as a basis of evaluation.

"Much has happened and is happening in the peace and solidarity movement, the housing movement has acquired more radical forms, and it has expanded. Also the paper MUUTOS has developed a lot since its establishment, and a lot of work is being done to increase its circulation."

According to Kangaspuro, the development of the youth movement and the promotion of a certain ideological and political debate in the whole communist movement will create good conditions for establishing a youth league.

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CSO: 3617/107

## HARD-LINE CP PARTY ORGAN VIEWS SKDL COOPERATION REJECTION

## Chairman Asks Campaign Cooperation

Helsinki TIEDONANTAJA in Finnish 22 May 87 p 3

[Article by Jaakko Laakso: "Halkola Proposes Cooperation in Presidential Elections"]

[Text] The progressive movement is faced with a lot of work as the presidential elections approach and thus their mutual cooperation is absolutely important, says Kristiina Halkola, chairwoman of the Democratic Alternative.

The chairwoman of Deva [Democratic Alternative] points out that the presidential elections will provide a good opportunity for bringing up foreign policy questions, among other things, in the debate from the point of view of the peace movement.

Halkola considers the strengthening of the peaceful line of Finnish foreign policy, to which everything else, including the candidacy question, must be made subordinate, to be the primary issue in the presidential elections.

The chairwoman of Deva also urges the abandonment of a routine attitude toward the forthcoming elections, which are only 6 months away. Action is needed now.

"We have an opportunity and also the power to introduce our own foreign policy initiatives into the debate. A sufficient number of them can be found from the expansion of Soviet trade, the breaking off of relations with South Africa's racist government as well as the strengthening of actions on behalf of a Nordic nuclear-free zone without forgetting our support for Soviet initiatives to eliminate medium-range nuclear missiles from Europe to the prevention of the threat posed by weapons in space," states Halkola.

Cooperation with SKDL [Finnish People's Democratic League]

In Halkola's opinion, progressive forces have reason to begin immediate negotiations on cooperation while keeping an eye on the presidential elections.



The chairwoman of Deva says that her own movement is ready to begin immediate negotiations with the SKDL and also with the Greens.

"We have proposed the initiation of negotiations to the SKDL's leadership. Some of the members of the SKDL's Executive Committee have also made the same initiative. The reception received by the initiative has been cold."

Halkola considers it incomprehensible that the SKDL's leadership has at least for the time being refused offers of cooperation regarding the presidential elections while emphasizing that the refusal to cooperate resulted in the defeat of left-wing forces and the victory of the right wing in the parliamentary elections.

"The government solution that has now come about is also partly to be considered a consequence of the fact that mere election mathematics favored the right wing as the SKDL's election alliance fell apart."

Halkola points out that Deva and the SKDL won a total of 20 MP seats in the parliamentary elections. "If the SKDL's leadership had approved Deva's proposal for election alliance cooperation in the parliamentary elections, together they would have won seven more seats in parliament."

#### Common Goals Needed

In Halkola's opinion, Deva and the SKDL should compile a clear platform for strengthening the peaceful line of Finnish foreign policy in joint negotiations, if such can be accomplished. "Inasmuch as a common understanding on the main issue and common goals can be found, even the candidacy question will, of course, be easier to resolve."

Deva's chairwoman does not preclude a discussion of a joint candidate either while also pointing out that the election method to be applied in future presidential elections will also permit election alliances among political forces which have nominated different candidates. "The main thing in any event is that progressive forces will be cooperating with each other," emphasizes Halkola.

Deva's chairwoman does not see any obstacle to Deva's election alliance cooperation with the SKDL and the Greens, for example. "Such cooperation is needed particularly for strengthening the positions of progressive forces."

Halkola finds it difficult to understand that negativeness with which the SKDL's leadership has reacted to Deva's initiatives for cooperation. There does not seem to be any inclination at all to negotiate with Deva. For example, the general secretary of the SKDL has announced that he considers organizational cooperation with Deva to be "completely improbable".

"One gets the impression that the SKDL's leadership is not at all interested in political cooperation among progressive forces, but in merely a power play. There is even a desire to subordinate the presidential elections and the nomination of candidates to this kind of organizational power play."

"Deva, on the other hand, wants to discuss with the SKDL and the Greens those question of content which relate to the presidential elections and the common political and foreign policy goals of the progressive forces which are necessary for strengthening a peaceful foreign policy. Naturally, we are ready to discuss the candidacy question also," states Halkola.

#### Finland's Independence in Danger

Halkola thinks that the debate on Finland's international position will become more animated as the presidential elections approach. The government's positive attitude toward the tightening of Western integration is in itself a matter of concern.

In the opinion of Deva's chairwoman, every progressive Finn and patriotic citizen should be concerned that Finland will lose its independence as Western integration is advanced.

"Cooperation in the presidential elections between all those forces which support the strengthening of general European cooperation is imperative so that Finland would not be drug into the deepening division of Europe," says Kristiina Halkola.

#### Paper Comments on Rejection

Helsinki TIEDONANTAJA in Finnish 22 May 87 p 2

[Editorial: "Why Does SKDL Leadership Oppose Cooperation"]

[Text] In rejecting the proposal of cooperation between the SKDL and the Democratic Alternative or even discussions concerning cooperation in preparations for the presidential elections, the SKDL's leadership is carrying out a tactic familiar from last year.

In preparing for the parliamentary elections, the SKDL's leadership rejected repeated appeals for the SKDL's election unity, but also in an indefinite manner. At the same time that the SKDL's leadership dissolved the election alliances in practice, it avoided an unambiguous answer, played for time, maintained unity goals, and attempted to place the supporters of unity in a situation in which their equal participation in the elections would have been impossible.

Now one cannot even pry a definite answer out of the SKDL's leadership with regard to the proposal of cooperation in the presidential elections. The decision-making organs are not allowed to discuss the proposal. Key individuals comment as if in their own name on the proposal in a manner which can only be interpreted as a rejection. But the fate of the cooperation proposal remains, nonetheless, indefinite. If only then...

Why such a tactic? Because the need for cooperation between the SKDL and Deva is apparent in light of the tough experience of the parliamentary elections and the foreign policy importance of the presidential elections. This

is not a good thing to oppose so curtly. And it is even more difficult to directly oppose mere discussions of cooperation.

After the meeting of the SKDL Executive Council, General Secretary Reijo Kakela had great difficulties in saying "no" with sufficient ambiguity. He said that the SKDL does not want cooperation with "parties or organizations promoting their own political selfish interests". Cooperation with Deva is impossible since "Deva only propagandizes" and "does not want to join in a common political discussion".

But joint political discussions are exactly what Deva has proposed. How does Kakela know whether common premises will be found for cooperation if even joint discussions are not approved?

It is probable that an agreement can be reached on issues. It is a question of the fact that the SKDL's leadership does not want to have anything to do with or cooperate with Deva, the same Deva whose creation was decisively influenced by the actions of the SKDL's leadership. But since such a factional and tactical as well as narrow position is impossible to justify to the broad masses, it is necessary to conceal it with confusing statements.

Deva is not acceptable, but, on the contrary, the SKDL's leadership is attempting to entice "individual members of Deva" and other progressive people into its own presidential election campaign work. But divisiveness and a rejection of cooperation cannot be a basis for bringing forces together. The SKDL's leadership must be made to reconsider the proposal of cooperation.

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CSO: 3617/107

## MOSCOW-ORIENTED CP PRESS ORGAN ATTACKS DRIFT TOWARD WEST

Helsinki TIEDONANTAJA in Finnish 27 May 87 p 2

[Editorial: "Is Finland the Driftwood of Westernization"]

[Text] Finland's involvement in the war as an ally of Hitler-Germany was at the time explained by the famous driftwood theory. Finland supposedly was drug into the war as a piece of driftwood is caught up in the current. The driftwood theory has turned out to be erroneous many times. Finland was pulled into the war by the conscious actions of a small group of decision-makers.

Now there is talk about a certain modern driftwood theory, by which our country's adaptation to the escalation of tensions and the arms race, the "inevitable" Western-integration, and to the equally "inevitable" reduction of trade with the East is being justified.

Vice Chairman Yrjo Hakanen of the Central Committee of SKP [Finnish Communist Party] Organizations wrote about the new driftwood theory and its falsity in TIEDONANTAJA last September already and he refers to the same phenomenon in the most recent issue of TEORIA JA POLITIIKKA.

But it is not just the SKP's (unity) representatives who are talking about this phenomenon. Esko Seppanen wrote last Saturday in KANSAN TAHTO that Finland's present Westernization is taking place in the same manner as Finland's involvement once did in the continuation war. "Finland is becoming Westernized because it is being Westernized."

A commentator in the Center Party's LALLI paper expressed amazement on Monday: "What is actually wrong in this free atmosphere? We cannot talk or write about foreign policy. Especially anything connected with Finnish and Soviet relations... On the other hand, there is a maniacal rush to the West. Is not the maiden Finland becoming a piece of driftwood?"

Such statements can be called tactical exaggerations and denigration. But it is hard to dispute the facts. Finland's Western-integration and other forms of Westernization have become more profound and preparations are being made for even further involvement, as the recent fuss over our country's relations with the European Community and the European Council demonstrates.

At the same time, the trade situation between Finland and the USSR is alarming. Finns cannot be praised for being very active in this area any more than in the area of an international peace policy.

Passiveness toward the East, which is the reverse side of the activism directed toward the West, is especially detrimental when one thinks about those vast prospects which the Soviet Union's reform policy will open up for us because of our special position. In fact, Finland is squandering its advantage in this respect.

But the influential circles promoting Western-integration have become so blinded that it is argued that opportunities in Eastern trade will only improve by means of a stronger Western-integration.

We must be concerned about our country's national interests and independence even though some would resent it. Our country must not be allowed to become the driftwood of the gentry.

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## TWO FRENCH BOOKS ON 'FINLANDIZATION' REVIEWED

Helsinki HUFVUDSTADSBLADET in Swedish 30 May 87 p 5

[Review by Gunn Gestrin of "Finlande 'Finlandisation' Union Sovietique" [Finland, 'Finlandization,' the Soviet Union] by Jacques Arnault, Editions l'Harmattan, Paris, 1986, 153 pages, and "Suomi-syndrooma" [The Finnish Syndrome] by Alain Minc, translated by Erkki Kirjalainen, Kirjayhtymä, 1986, 276 pages; first paragraph is HUFVUDSTADSBLADET introduction]

[Text] Gunn Gestrin reviews two French books about the problems raised by Finlandization. Alain Minc's book was published in Finnish last fall and the reviewer wonders if the book was worth the trouble. However in his book on "Finland, 'Finlandization,' the Soviet Union," Jacques Arnault gives a lucid and objective account of his subject matter.

It is still quite common for more or less well-informed West Europeans to use the term "Finlandization" freely, accompanied by a touch of either sympathy or condescension.

Some can even decide to write a whole book on the theme of Finlandization without mentioning Finnish conditions at all except in passing. Such a book came out last fall in a Finnish translation, "The Finnish Syndrome" by Alain Minc.

Therefore one feels justified and consoled in also reading another recent French book, "Finland, 'Finlandization,' the Soviet Union," by Jacques Arnault. He examines the background of the popular term in a very productive way.

In his inspiring but objective presentation Arnault provides a brief and lucid account of most of what a European would want to know about Finland. The relatively short book gives a survey of our entire history.

The main interest concentrates on the course of events from the diplomatic moves of the 1930's through the Winter War and the continued war to the heart of the book, the Friendship, Cooperation and Mutual Assistance Pact of 1948.

Arnault points out that the word Finlandization was created over 30 years ago, in 1953, by former Austrian Foreign Minister Karl Gruber as a warning example of relations with the Soviet Union. The French reference work, "Grand Dictionnaire Encyclopedique Larousse" [Larousse Encyclopedia] gives the following definition of the French term: "The total number of restrictions on self-determination that a great power imposes on a weaker neighbor." The book also mentions that it is in vogue to use the word figuratively in talking about the potential Finlandization of West Europe.

Jacques Arnault decided to examine point by point how our friendship and mutual assistance pact with the Soviet Union affects the customary five "freedoms": business freedom, political freedom, religious freedom, educational freedom and freedom of the press.

He also gives a very well-informed review of Finnish economic developments and presents the defense system and its rationale. There is a special chapter on trade between Finland and the Soviet Union. Arnault was not content with Finnish opinions alone; he also visited Moscow and Tallinn.

A Finnish reader is very impressed by the material Arnault managed to gather during his 6 weeks in Finland, apparently in the fall of 1984. There is almost no source literature in French, but he has read everything available in French and English as well as standard works on Finland's history and political history by Jutikkala-Pirinen, Puntila, Jalanti, Marshall Mannerheim's memoirs, Max Jakobson's "The Diplomats' Winter War," Vaino Tanner, etc., etc.

However the book is based to a large extent on Arnault's personal interviews in Helsinki with people like Matti Klinge, who was interviewed in connection with the historical part of the book. He seems to have been in touch with most of the political, economic and social organs and interviewed some representatives, including political parties, employer and labor organizations, the press, the university, the Army, big business.

Here is an example of people who were interviewed on the subject of "freedom" in Finland: Pentti Somerto, leader of the Central Union of Business Employers [AFC], on business freedom, parliamentary speaker Erkki Pystynen on our political system and our constitution, Archbishop John Vikstrom and Member of Parliament Gustav Bjorkstrand on religious freedom and editors in chief Simopekka Nortamo and Jan-Magnus Jansson on freedom of the press.

There were many sources on other topics from former party chairman Aarne Saarinen to Lieutenant General Ermei Kanninen to equal rights researcher Leila Rasanen to a number of sociologists on the alcohol problem. Almost scientific scrutiny was devoted to the labor market's consensus policy and the economy with a wealth of current source material and separate interviews with AFC, the Central Federation of Labor Unions [FFC] and government arbitrator Teuvo Kallio.



Jacques Arnault also spent 2 weeks visiting the Soviet Union, Moscow and Tallinn. There he talked to senior Foreign Ministry officials, experts on Finnish trade and journalists.

Arnault notes that for the most part Finns talk about "a good neighbor relationship" while the Soviets talk more about friendship. But people in Moscow are also anxious to point out that the relations are based on common sense and mutual advantage.

Jacques Arnault's book gives a picture of Finns as being admirably sensible, hardworking, strongly western-oriented and extraordinarily unaffected by their proximity to a superpower. This is not news to us but the book seems important as an illustration of how outsiders see us. Such a book certainly has a very large role to play in West Europe.

For the most part "Finland, 'Finlandization,' the Soviet Union" is easy to read and entertaining in spite of its wealth of source material.

As one example of the reasons for examining the concept of Finlandization, Arnault mentions the book "Le Syndrome Finlandais" [The Finnish Syndrome] by Alain Minc, which deals with Minc's concern about the future of West Europe. Arnault quotes Minc, who states succinctly: "We run the risk of being Finlandized without knowing it, marginalized without noticing it, being placed under guardianship without believing it."

"The Finnish Syndrome" is a very labored book, partly because it is written in a heavy and tedious way and partly because the opinions seem depressingly militaristic and prejudiced to an average Finn.

One can ask if it was worth translating this book on the total military, economic and political decline of West Europe just because it uses the term "Finlandization" so freely.

In reality "The Finnish Syndrome" is about the "fate" of the Federal Republic of Germany. As a result of its interest in constantly expanding contacts with East Germany, the Federal Republic runs the risk of gradually relinquishing its obligations in the context of NATO and EC cooperation. If the Federal Republic slips away there will really be nothing left of West Europe, according to economist Alain Minc, an admirer of Germany and the leader of the French central federation of business employers.

Minc likes to simplify things in the most general terms, one of them being "Hong Kong Europe," a Europe that is a diplomatically dependent appendage in the shadow of the superpowers. That is the most likely future for West Europe, according to Minc.

The analysis tries to see 30 years into the future, while at the same time pointing to a lot of taboos, such as the belief in French nuclear defense, the opinion that the Federal Republic is firmly rooted in the West and the ignorance about the unfavorable population trend.

Minc predicts that 30 years from now West Europe will have no strategic identity and that it will be a blowhole for the Soviet world as well as a protectorate. West Europe will adjust without rebelling for the situation is simply a consequence of "gentle" Finlandization.

One alternative to Hong Kong Europe is based on the assumption that there will be changes in the East, which Minc says is now living in a different era than the western world; another is the cherished dream of a real West Europe.

Over half of the book is devoted to presenting all the negative tendencies in West Europe. In the first place Europeans must take into account the revolution in strategic thinking that the new generation of weapons involves. At the same time as Star Wars is being developed, Europe must resign itself to the fact that the U.S. security guarantees are being withdrawn from Europe.

Europe will be left to assume responsibility for its own defense and in spite of all the sacrifices this will require, a European defense initiative is the only solution, Minc says. He also warmly endorses neutron bombs and target-seeking weapons.

The second alternative is a system of self defense along Swiss lines and a retreat from the international decision-making arena. But according to Minc West Europe is now proceeding along entirely outdated lines.

Alain Minc devotes a lot of attention to the negative population trend and links it directly to a stagnating economy. All our social benefits and pensions are also a thorn in his side and he regards them as a barrier to international competition. Only hedonism and corporatism are important, collective values no longer count.

Minc seems oblivious to the new activity shown by those in charge of EC in recent years and the ambitious plans for full integration by 1992. He regards all this as meaningless as long as military and political integration does not move forward.

All the same, a united Europe is the ideal condition he is trying to achieve. But he assumes that nothing is happening in the Soviet Union, which is also hard to believe.

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CSO: 3650/171

## POLL RESULTS ON PARTIES, LEADERS' POPULARITY COMPARED

## MFB Results

Athens EMBISTEVTIKO GRAMMA in Greek 3 Jun 87 pp 15, 16

[Text] A poll EVDOMI published last Sunday is of particular interest because it deals with ND's internal difficulties. Within the context of our practice to update our readers on all published polls, we consider it our obligation to analyze this poll which was taken during 25-29 May by MRB in the greater Athens area.

## Voter Preference

ND leads PASOK by 7 percent. Currently the latter remains stagnant at 25 percent.

As a result of the recent ND internal problems, DI.ANA [Democratic Renewal] stock improved somewhat (only by 2 percent) while the percentage of undecided voters (16 percent) increased. There was a small percentage of voters (2.6 percent) who did not respond to the questions. Compared to previous polls by other firms, ND shows a slight drop due mainly to the recent Rallis crisis while KKE and the Greek Left appear strengthened.

## Popularity of Politicians

The Rallis crisis did not affect Mitsotakis' popularity (which presently stands at a low level of 30 percent). By contrast, there was an increase in the popularity of K. Karamanlis and Stefanopoulos (from 15 to 20 percent) and this was clearly due to the stand certain conservative-liberal newspapers took during the recent events.

## The Rallis Departure

Among the ND rank and file, Mitsotakis completely defeated G. Rallis. About 53 percent of the 1985 ND voters approved Mitsotakis' moves while only 14.4 percent agreed with Rallis. At the same time, the opinion of the ND voters about Mitsotakis improved while Rallis worsened. These events hurt the overall ND image and this is also proved by the rise in the percentage of those who expressed dissatisfaction with its performance as a major opposition party.

## Government Efficiency

The situation for the government appear gloomy as the number of voters satisfied with its performance dropped to a low of 26 percent.

Impressively negative also is the public's attitude on the scandals (61.3 believe scandals have occurred and the government is responsible). It is worth noting that 27 percent of the 1985 PASOK voters also believe the government is responsible for the scandals.

## Return of Karamanlis

The overall public reaction to Karamanlis' return to the political scene was negative. By contrast, ND voters agree with his return with the exception of a sizable group (17 percent) who would not like to see him back.

TABLES  
(All figures in percentages)

1. Voter preference if elections were held today*		2. After Rallis' departure the voters agreed on the following views:		
PASOK	25.4		Total	%
ND	32.0	He was right and did well to leave		
KKE	15.3	ND	35.5	14.4
EA**	4.8	Was right but should have stayed in ND	15.7	23.1
DI.ANA	2.0	Was wrong and wrongly left ND	16.6	39.4
EPEN***	0.4			
Other	1.5			
Undecided	16.0			
No answer	2.6			

\* Voters in the Athens-Piraeus area. \*\* Greek Left.  
\*\*\* National Political Union

3. After the events in ND what is your opinion of Rallis?			4. Satisfaction with PASOK's performance			
		1985 ND Total		5/87	3/87	10/86
Better	17.5	10.8	Yes	25.6	29.0	33.0
Worse	21.7	40.8	No	65.9	61.0	57.0
Same	51.6	39.4				

5. Popularity of political leaders and personages (favorable opinion)

	3/87	5/87	10/86
Papandreou	40.1	38.0	43.0
Mitsotakis	29.7	30.0	43.0
Karamanlis	46.2	41.0	—
Florakis	31.5	29.0	25.0
Stefanopoulos	20.6	15.0	22.0

6. After the recent events (Rallis' departure, Paligouras suspension) what is opinion of Mitsotakis?

	Total	1985 ND Vote
Worse	11.2	28.1
Better	31.1	17.5
Same	50.8	46.9

7. Do Mitsotakis' moves help ND?

	Total	1985 ND Vote
They strengthen unity	22.5	52.5
Do not strengthen unity	55.6	26.1

8. Satisfaction with opposition's effectiveness.

	3/87	5/87	10/86
Yes	25.4	27.0	35.0
No	66.9	62.0	53.0

9. Is the PASOK government responsible for the scandals (as reported)?

	Total	1985 ND Vote
There were no scandals	4.4	10.6
There were but government is not responsible	25.8	50.6
Government is responsible	61.3	26.7

10. Should or should not PASOK be given a vote of confidence?

	Total	1985 ND Vote
Should	36.5	70.6
Should not	47.5	12.2
Don't know	12.0	14.4
No answer	3.9	2.8

11. Do you agree with Karamanlis' return as the head of a government with ND, DI.ANA, independents and centrist political personages?

	Total	1985 ND Vote
Yes	24.8	51.3
No	46.3	17.1
Neutral	14.2	16.6



## EVRODIM Results

Athens EMBISYEVTIKO GRAMMA in Greek 10 Jun 87 pp 15-16

[Text] The results of the EVRODIM poll, which was conducted during the same period (after the recent ND internal crisis) and in the same area (Athens region), were the same as those of MRB. Therefore, here we shall cite only those highlights where the two polls differ.

### Voter Preference

In this poll, too, ND leads PASOK by 7 percent--the only difference being that the two large parties are 2.0-3.0 percent higher than in the MRB poll. It is worth noting here a direct movement of PASOK votes to ND which has reached 2.2 percent. Therefore, the conservative liberals start their electoral estimates (before the undecided PASOK voters who reach 12 percent are "distributed") with percentages which exceed 43 percent throughout Greece.

### Popularity of Politicians

Mitsotakis' popularity is steady at 43 percent compared to the dominant 58 percent for Karamanlis and 48 percent for Papandreou. However, these results are more or less known from previous EVRODIM polls such as the one which was published last March. More important is Stefanopoulos' rise among ND voters and the low percentage for Rallis in the same party.

### Government Efficiency

Public opinion of the government's work remains particularly low. Yet, there is somewhat of an improvement in the picture about the government's work for the 1985-1987 period, considering that early this year it was believed to be highly negative--from 70 percent it has now dropped to 58 percent.

### Greek-Turkish Crisis

The way the government handled the recent Greek-Turkish crisis is considered positive. Only voters within ND consider it negative.

### Mitsotakis-Evert

Mitsotakis is always considered by ND voters as the most able person for the leadership of the major opposition party over Evert. He, moreover, has increased this positive opinion.

### Future of Present Government

The public believes PASOK will remain in power until 1989, after which even most of the PASOK voters think this government will be out of power.

# TABLES

## 1. If parliamentary elections were held today for which party would you vote?

	EPEN	ND	DI.ANA	PASOK	EA	KKE-Int.	KKE	* ESOK	Undecided
	%	%	%	%	%	%	%	%	%
Total	1	35	2.5	28	2.5	1.5	14	0.5	15
1985 Vote									
ND	1	86	6	1	0	1	1	0	4
PASOK	0	5	0	64	2	1	3	1	25
KKE-Int.	0	0	0	0	19	31	0	0	50
KKE	0	2	0	3	0	0	89	0	6

\* Leftists

## 2. How do you consider the 2-year work of the PASOK government since it was formed after the 1985 elections?

	Rather Positive %	Rather Negative %	No Answer %
Total	32	58	10
1985 Vote			
ND	6	88	6
PASOK	66	28	6
KKE	21	71	8

## 3. The way the government handled the Greek-Turkish crisis you are:

	Very Satisfied %	Sufficiently Satisfied %	Slightly Satisfied %	Not Satisfied %	No Answer %
Total	31	36	18	13	4
1985 Vote					
ND	5	26	32	30	7
PASOK	61	31	4	3	1
KKE	28	48	15	6	3

4. In your opinion PASOK will remain in power:

	For many years %	Until the end of 1989 %	For 1 or 2 more years at most %	No Answer %
Total	19	35	28	18
1985 Vote				
ND	2	29	54	15
PASOK	43	34	13	10
KKE	19	49	18	14

5. Popularity of Politicians  
(You have a very good or good opinion about each politician)

	Sartzetakis %	Karamanlis %	Papandreou %	Mitsotakis %	Florakis %	Rallis %	Kyrkos %	Averof %	Stefanopoulos %	Evert %
Total	43	58	48	30	30	28	38	28	42	40
1985 Vote										
ND	21	88	18	71	10	32	33	59	57	79
PASOK	70	44	85	4	31	32	42	12	36	18
KKE	40	25	42	3	88	8	26	6	23	9

6. Between Mitsotakis and Evert who is abler for the ND leadership?

	Mitsotakis %	Evert %	No Answer %
Total	28	41	31
1985 Vote			
ND	56	36	8
PASOK	11	48	41
KKE	17	42	41

7520  
CSO: 3521/143

## PASOK SEEN ATTRACTING WIDER SHARE OF PUBLIC BLAME

Athens I KATHIMERINI in Greek 28-29 Jun 87 pp 1, 3

/Article by Nikos Simou/

/Text/ By examining the electorate's current party preferences and trends, ND is trying to answer the question to what extent people have accepted that the present problems of the country are the responsibility of the PASOK government. The answer to this question is critical because as long as it is shown--and there are some first indications of this--that the people attribute responsibility to the government, then PASOK's capability in creating pseudo-dilemmas will have been greatly outdistanced. It should not be forgotten, however, that such pseudo-dilemmas in the past had significant effects on and influenced the voters' decisions.

The municipal elections and their results in the three big and decisive municipalities constituted the first messages that as long as the problems of the people increased they would develop to such an extent that the electorate would begin thinking, besides just feeling, and even go beyond the most successful pre-electoral propaganda campaign.

However, after the municipal elections, the government did not lose the opportunity to give the people the impression that its weaknesses were greater than its qualities. Thus, the scandals, for example, increased the impression not only because they showed that the government was unable to exercise necessary controls over the public sector and also because they were an issue, directly related to public morals. In other words, at that level where popular sensitivity has recently been shown to be particularly intense.

Some first indications--as mentioned before--lead to the conclusion that, 2 years before the end of the Chamber of Deputies' mandate, (1) that segment of the population that attributes responsibility directly to PASOK is increasing; (2) those people who attributed all of the present evils to ND or to the Right is decreasing; and (3) a rather large percentage of the people remains attached to the erroneous view "white wolf, black wolf, all wolves are of one origin." Of course, in this group is to be found that percentage of the so-called undecided who in the long run make a government or increase the percentage of abstentions.

As long as these facts, as time goes on, are consolidated into a political reality they will become one of the most important elements on which the present major government opposition party will be able to pin its hopes for an electoral victory. This is so because any possible more conciliatory stance by the electorate--that is, besides the firm ND followers--vis-a-vis the so-called "Right" means, at the same time, acceptance of that party as an alternate solution and also a greater period of tolerance in case ND returns to power.

This latter fact is particularly important if the following is taken into consideration: studies made up to 1986 by the American firm Frost and Sullivan, in research and testing of investments dangers in various countries, always referred to the scenario of a self-sustaining government of the Right or Center Right having to confront possible serious social turmoil as a result of the opposition of the broader Left to the labor policy of a conservative government. Nevertheless, both the findings by the Greek side, as mentioned previously, as well as evaluations by the American firm recently lead to the conviction that the electorate has changed. This change is nothing other than tolerance for any alternate solution whatsoever and attribution of responsibility to the present government (more conciliatory stance vis-a-vis the Right).

These findings and evaluations are not unknown to the government party. For that reason, moreover, the prime minister has put stress on the organizational area so that PASOK's mobilization on a country-wide basis might be an attempt to overturn this picture.

The drawback for the government party in such a case is that PASOK has been governing the country for almost 6 years now during which the people's tolerance was of long duration and the "moratorium" with the Left had created favorable conditions for unimpeded and creative work. Hence, the government's counterattack and its going beyond mere sloganeering for confronting with specific proposals the solution that ND is putting forth and with specific arguments the complaints over its failures.

ND, starting out from an opposite standpoint, now sees that the findings of the electorate (that are to the detriment of PASOK), in order that they contribute to the overall turnabout of the voters and to its becoming a self-sustaining government, necessitates a particular convincing political tone by it. Indeed, particular when the major government opposition party knows that the percentage of voters who, even though mistakenly, are of the opinion that responsibility for the present situation must be equally divided between the two big parties. ND is calling on these disoriented people to turn into the proper direction.

5671

CSO: 3521/149



## RELATIONS WITH IRAQ, IRAN COMPARED

Istanbul TERCUMAN in Turkish 22 Apr 87 p 4

[Commentary by Fahir Armaoglu]

[Text] The arrival of a group of Iranian businessmen, 100-strong, headed by a deputy minister, reportedly to review and revitalize trade relations between Turkey and Iran, has prompted us to engage in a comparative evaluation of our relations with Iran and Iraq, respectively. Since the Iraq-Iran war started back in 80, Turkey has taken the utmost care to be neutral vis-a-vis its two neighbors and stuck to the neutrality principle to this day. But, strange as it may seem, while Turkey's attitude showed no change and Turkish-Iraqi relations have registered continuous improvement, Turkish-Iranian relations have been in constant decline. This is true not only in trade but political relations as well. Reported trade figures show that both our imports and exports have registered significant decreases in 86 compared to 85. Our political relations have followed a similar trend.

This situation stems completely from Iranian attitudes. As we pointed out Turkey's attitude vis-a-vis Iran and Iraq has remained the same. But failures encountered in the course of the war seem to have led Iran to take its frustrations on Turkey. To put it differently, Iran is engaging in activities in Turkey which can only be described as going above its breeches. And this has become somewhat troublesome for Turkey. In short, the trajectory of Turkish-Iranian relations during the last 2 years has been consistently downwards. So long as Iran sticks to its present attitude we shouldn't be surprised to see come breakdowns in the future.

On the other hand, Turkish-Iraqi relations have been consistently on the upswing; again, despite the fact that there hasn't been much change in Turkish attitudes. This stems from Iraqi's realistic policies. Iraq has been able to respond to Turkey's policy of neutrality in an effective manner and secure the benefits thereof. It is Iraq's wise and realistic policies which are responsible for the almost daily improvements in

Turkish-Iraqi relations. It may sound like a contradiction but Turkey's neutrality policy has brought about something close to an economic integration between Turkey and Iraq.

Discussions about a third oil pipeline during the visit of Iraqi statesman Taha Yasin Ramadan, first deputy premier, is a very significant and meaningful development. He has met our president and Prime Minister Ozal which gives a strong indication of his satisfaction with the state of Turkish-Iraqi relations. Furthermore, the Turkey-Iraq Cultural and Scientific Exchange Program, for a period of 3 years signed in Ankara the other day, has a broad mandate and the potential to greatly contribute to the development of bilateral relations. And compared to that, Turkey is not interested in activating any cultural activity in Iran, while Iranian cultural activities in Turkey is a source of concern for the Turkish government requiring constant attention.

12466

CSO: 3554/244

## POLARIZATION IN MOTHERLAND PARTY

Istanbul MILLIYET in Turkish 21 Apr 87 p 8

[Text] Ankara -- Having been called upon to resign by Can Pulak, press adviser to the Prime Minister, it is now apparent that ANAP Deputy Leader Mehmet Kececiler is not wanted by ministers with liberal leanings either. It is reported that about 10 ministers coalescing around Defense Minister Zeki Yavuzturk are trying to find ways and means to explain to Prime Minister Turgut Ozal the dangers of going to elections under a party organization dominated by Kececiler. In private conversations, some of the ANAP founding members in the government, express concern that "if the party congress gets under way with Kececiler leading the organization, there may be mayhem in the party."

Ministers led by Yavuzturk are reported to be openly saying, in Assembly corridors or private meetings, that ANAP votes may shrink in the next general elections if the 'Salvationist' [referring to the National Salvation Party] view, represented by Kececiler, is allowed to dominate the party. According to MILLIYET's count, ministers of the 'liberal alliance' who, despite their differences in other matters, are united in their opposition to Kececiler's dominance in the party are: Zeki Yavuzturk, Mesut Yilmaz, Safa Giray, Mukerrem Tascioglu, Mustafa Kalemlı, Tinaz Titiz, Sudi Turel, Ahmet Kurtcebe Alptemocin.

Apart from these, there are other ministers close to the 'liberals' though not active in the movement. These are: Minister of State and Deputy Prime Minister Kaya Erdem, Minister of Industry and Trade Cahit Aral, Minister of State Ahmet Karaevli.

## The Kececiler Camp

Ministers who can be counted on for their support of Kececiler are listed in political circles as follows: Husnu Dogan, Kazim Oksay, Vehbi Dincerler, Abdullah Tenekeci, Yildirim Akbulut and Mahmut Oltan Sungurlu. H.C. Guzel, despite his apparent neutrality, seems closer to the pro-Kececiler group, given that

he replaced Mesut Yilmaz as government spokesman, and the distance between him and the 'liberal' ministers.

#### Repercussions Around the Adviser

Meanwhile there is rife speculation concerning Press Adviser Can Pulak's calling for Kececiler resignation, as it comes in the wake of recurring anti-Kececiler sentiment in the ANAP caucus and in the government which Ozal had to pacify each time. Pulak's call was made public in an interview he gave to MILLIYET correspondent Yener Susoy. Following that, questions were being asked among the liberal wing of ANAP whether the prime minister was using his press adviser to relay a message to Kececiler -- to say something which he could not bring himself to say face to face.

However, one of his close political advisers who was able to see Ozal at his official residence told MILLIYET yesterday, "No, such an interpretation would be wrong. Ozal was sorry to see an incident develop between Kececiler and Can Pulak." It is reported that Ozal found the call for Kececiler's resignation 'misguided'. But political circles have also noted that Pulak has voiced the reactions within ANAP against the anti-secularist conservative viewpoint which is trying to gain domination in the party.

#### Pulak's Explanation

Telling MILLIYET that he wasn't engaged in "any political calculation" Pulak explained his controversial initiative as follows:

For 27 years I tried to fulfill my duty as a journalist and a citizen. I told the truth as I saw it. I have no political calculations to make. Our boss (Ozal) is a democrat by nature. I don't expect him to react negatively. But if Mr. Kececiler does react I issued a call to him. Let him come and we'll resign together. He would be taking quite a load off prime minister's back. As far as I am concerned the issue is closed. But if it proves necessary I am prepared to face the music. If the prime minister expresses any dissatisfaction over the incident I would do my share and bring relief to him. It is a matter of mutual trust. If I detect the smallest sign that the trust is fading I wouldn't remain on the job.

As for Kececiler, it was clear he was in no mood to oblige Pulak and resign. His reaction was:

I have many political opponents but this is the first time I have a public employee as an opponent. This is a government which shows particular care not to involve public employees in

politics. We don't allow that sort of thing. I don't think anything will come out of it. That friend of ours (Pulak) had a problem with the mayor of Ankara as well. (Pulak had issued strong statements criticizing Mayor Altinsoy for demolishing the Ankaragucu sports stadium with bulldozers.)

Regarding criticisms directed at himself in the Assembly and in the government, Kececiler had this to say:

There is one dominant viewpoint in the party, and that is the philosophy of the Motherland Party. There is no separate image projected by Mehmet Kececiler. If there are people who are uneasy about my control of the party organization I must be doing something right. Isn't it a good thing for a party administration to be in control of organization? For those who are uneasy with the party administration there may not be a future in the party. If they are wise they would mend their relations with the administration. Those keeping good relations won't come to a bad end.

#### Commentaries

Meanwhile, various commentaries are made regarding the Kececiler-Pulak war of words which some say is indicative of a breakdown in Ozal's close circle. Those having 'easy access' to Ozal, who is working at his official residence are listed as followed: Ahmet Ozal (his son, helps in setting up the arrangements), Gunes Taner (political adviser, ANAP founder), Selim Egeli and Can Pulak (press and information advisers), Huseyin Aksoy (private secretary), Adnan Kahveci (chief adviser, responsible for economic affairs).

Furthermore, there are others who are targets of the ministers' wrath -- such as Anadolu Bank General Manager Bulent Semiler, Cengiz Israfil and Rustu Saracoglu, known for their closeness to Ozal, but are depicted in derogatory fashion as 'U.S. imports'.

12466  
CSO: 3554/244



## KURDISH LANGUAGE DISPUTE DISRUPTS SDPP

Istanbul TERCUMAN in Turkish 22 Apr 87 p 8

[Text] Ankara -- SDPP CEAC member Turgut Atalay's suggestion at Siirt regional meeting that Kurdish should be spoken freely has led to a new crisis within SDPP. Noting that the Political Parties Law allow party regulations to be translated into other languages but not to "banned languages," Atalay posed the question: "Which are the banned languages, are they listed?" He wanted to know why couldn't party programs, which can be translated into English and French, be translated into Kurdish. Criticizing of the situation where citizens are unable to give Kurdish names to their children, Atalay complained about "the way the Kurdish-speaking citizen is being treated" demanding that people should be able to "speak Kurdish freely."

## Reactions

Atalay's words have produced both positive and negative reactions. Applauded by the majority of those present at the meeting, his speech caused anger among a section of party leadership, including Erdal Inonu. And Vecihi Atakli, deputy from Sanliurfa, claimed that Atalay was "engaging in separatism."

## What Does Atalay Say?

Later, responding to questions posed by the TERCUMAN correspondent, Atalay maintained he had chosen his words carefully, saying, "It's not separatism what I'm doing. I know what I am saying." Pointing to the economic, social and cultural neglect of the East, Atalay maintained "the people had no choice but to speak Kurdish, and that's a fact." Arguing that the Kurdish-speaking citizen was treated badly, Atalay said:

I want them to be able to speak their language freely. I do believe in having a single official language, namely Turkish. And I want to see all our citizens able to speak Turkish and the opportunity created for them to do so.

It may be recalled that sometime ago Edip Ozgenc revealed, at the SDPP caucus, that Kurdish was being spoken during CEAC meetings, which led to Edip Servet Devrimci's questioning by the state prosecutor.

#### Reason for Leaving SDPP

DLP Icel deputy Edip Ozgenc has quit SDPP "one of the reasons being the issue of speaking Kurdish." He elaborated as follows:

The official language of Turkey is Turkish. At a time when every effort is needed to propagate the use of Turkish what is this business about Kurdish? Behind this is the desire to propagate the idea of a Kurdish state. We cannot tolerate Kurdish transmissions to the Turkish people. If that is done it would only benefit separatists. It would mean giving the green light to the idea of a Kurdish state. It is because of such attitudes and tendencies that I quit SDPP. This matter of speaking Kurdish is a reason in my leaving the party.

Meanwhile SDPP Leader Inonu, responding to a related question, said, "I will bring the issue to the CEAC meeting tomorrow" (today). Inonu said he would propose that Atalay be brought before the party disciplinary council.

12466

CSO: 3554/244

## MILITARY PLANNING UNDERPINS TECHNOLOGY PROGRESS

Paris INDUSTRIES & TECHNIQUES in French 1 Mar 87 pp 66-74

[Article by Michel Saint Setiers: "The Army at the Technology Leading-Edge"; first paragraph is INDUSTRIES & TECHNIQUES introduction]

[Text] The Defense Department is not only the driving force behind research, but also the most effective testing ground and showcase for the latest technologies. Electronics, data processing, telecommunications, metal work... they are all there in their most modern form. The latest military planning law allocates Fr 474 billion over 5 years and includes several major projects which should be completed during the 1990's. The Leclerc supertank on land, Rafale in the air, Richelieu at sea....

According to Mr Georges Dubot, program director of the Land-Base Weapons Directorate, the "Leclerc" tank is revolutionary. Designed to fulfill combat requirements of the year 2000, it incorporates innovations in the areas of defense, integrated information management and high mobility and also has commercial implications. The Fr 35-billion budget will supply the French Army with 1,400 tanks. This supertank is being developed by the Satory AMX-APX laboratory.

New multilayer armor using a highly compact alloy provides a level of protection beyond any in use today. Laid out in a series of box sections, this armor can be modified throughout the life of the vehicle, and in case of a direct hit, can be easily repaired. It is impervious to all classic ammunition including the first generation arrow shells up to 120-mm caliber. The "Leclerc" tank will be compact; its silhouette reduces the likelihood of a hit. The turret is also compact thanks to a new automatic shell loader which eliminates one crew member. So is the body due to the use of a hyperbaric technology-based Unidiesel engine. Add to this a 1-meter reduction in length, and the future tank will have greater mobility at 30 hp per metric ton. A new concept has been introduced: "vetronics." The whole tank is linked to two computers by multiplexed digital connections, identical to those used in aviation, which manage the behavior of the engine, navigation, arms systems, and the tactical status in real time. As for armament--a smooth bore 120mm cannon--the Leclerc will be able to fire on-the-move thanks to an electric motor-driven remote-controlled and gyrostabilized gunsight on the turret. SAGEM [Company for General Electricity and Mechanics Applications] developed

this sight whose stabilized core provides necessary data for firing on-the-move and also handles navigational chores. This company also developed the arcometer which, by measuring the cannon's flex, enables the exact aim to be determined accurately. SFIM [Measurement Instruments Manufacturing Company] is the supplier of the crew chief's sight, which uses a numeric system. This company is also researching an automatic target tracker, a panoramic thermal sight--both stabilized--and for future use a fire sensing system. Links between the various sensors and sights are maintained by a multiplexed digital bus.

The GIAT (Industrial Land Weapons Group) organizations will provide most of the equipment such as the episcopes and NBC (Nuclear Bacteriological, and Chemical) protection (along with Solfiltra) which will be developed and manufactured by the Manufacture d'Armes de Saint-Etienne, while the tracks, rollers, and transmission components will be made at Roanne and the 120-mm cannon at Bourges.

The Toulouse GIAT organization will be responsible for manufacturing almost all of the electronic components for the future Leclerc tank. This suggests a new direction for this organization and for the manufacturers who have traditionally worked on army vehicles, such as Creusot-Loire Industries and Valeo-SESM [Seine and Marne Equipment Company]. Using its marine experience, Creusot-Loire Industries has developed an autoloader which can automatically drive a complete shell (1 m long) into the cannon. For the engine, they have used the Societe Surgerienne de Constructions Mecaniques, a subsidiary of the Societe Alsacienne de Constructions Mecaniques. The engine is a V8X-1500, based on the Unidiesel industrial engine. It has a 16.5-liter capacity and produces a basic 300 hp, around 900 hp with a conventional supercharger, and 1,500 hp with the Surlamo-Hyperbar system. The system works as follows: The diesel engine is located between the compressor and the turbine with a casing containing a by-pass valve and a combustion chamber between the two. This mounting in parallel allows the turbocharger to operate independently of the diesel. This system provides four advantages: In independent operation the turbine provides a fully operational tank, which is quiet and does not consume too much fuel; cold diesel startup is facilitated by the turbine gases; the superfluous gas produces an almost instant start for the diesel at maximum torque. This engine has allowed the Leclerc tank to eliminate 1 meter in length and one roller. The engines will be manufactured at Mulhouse and assembled either there or at Surgeres. The ESM-500 transmission will be made by SESM. It allows the gears to be shifted under torque without reducing tractive effort, and, thanks to the hydrostatic steering, to turn easily in place. The component includes a hydrodynamic brake linked to the carbon-carbon disk brakes mounted on the sprockets.

As for the suspension, there are two alternatives: either conventional torsion bars manufactured at Roanne with Bronzavia or Domange-Jaret rotary shock absorbers, or an oleopneumatic suspension. Messier Auto Industrie (Lucas France Group) and SAMM (Engine Application Company, PSA [Peugeot] group) are competing for this option, the former with a piston system, and the latter with a membrane system which has evolved from the Citroen suspension concept.



The track has not yet been chose. GIAT could adopt an articulated track chain (as on the AMX-30), which has the advantage of being light, or a connector track, which is quieter and more durable, but heavier, or--and this is a French innovation-- a light alloy connector track.

The Complete Turret System (TSC) is the first turret to be developed within the framework of the "Future Tank" program. It combines all the specific firing functions. It provides a flat turret with an automatic loading feature located on the turret rim [?nuque], and a two-man crew; tank commander on the left and gunner on the right. The firing function has been given high priority: The 120-mm cannon, the 12.7-mm machine gun, the daylight sight, the thermal sight, and the arcometer are jointly mounted on the rim [? masque] for greater precision. To provide even better protection there are plans to combine the daylight and thermal sights into a single day/night sight. Finally, a new feature appears on the Leclerc: a management/communication function which enables the tank to be integrated into a larger system with which it exchanges tactical and logistic information.

All Leclerc tank components are presently at the experimental stage and are undergoing testing mounted on "mules." In addition to this there is the "psyche" turret research simulator located at CELAR (Armaments Electronics Center) at Rennes. Following the "Complete System Mule" stage, six prototypes are planned, the first of which is expected at the end of 1988. These six "pilot" prototypes will be very similar to the production vehicles and will undergo tactical testing. The first Leclerc AMX's will be produced in 1991 at the rate of 10 tanks per month.

Turning to aviation both for the Air Force and the Navy, the experimental prototype which is expected to lead to the operational combat planes of the next decade is the "Rafale," an extended delta-wing supersonic single seater with a frontal "canard" empennage. The semiventral air intakes are of a completely new design and are the result of very specific technical choices; an increase in angular cowlings efficiency provided by the inherent protection of the forward fuselage; an improvement in the quality of the air supplied to the engines due to a decrease in the stationary and nonstationary thrust heterogeneity; retaining a Mach 2 capacity while seeking extreme simplicity: no movable mechanism, nor permeable walls; total separation of the left and right air intakes both to prevent any malfunction in one engine from disturbing the other and to leave sufficient space to attach a forward-folding landing gear and to carry long belly loads under the fuselage.

The second area of experimentation involves the controlled configuration vehicle. The cockpit is designed to allow the pilot to leave routine tasks to a multitude of instruments and to concentrate on his mission. A diffraction optics "heads-up" device made by Thomson-CSF and SFENA [French Company for Air Navigation Equipment] displays all necessary data. A FLIR (forward looking infrared) pod provides an eye level display immediately underneath the "heads-up" device and is an extension of its symbology. The FLIR monitor and the "heads-up" device produce an ordered image of the data from the radar, FLIR, and TV, or a synthesis of the information from these various sensors. Two CRT color screens with multifunction perforated masks developed by Thomson-CSF



and SFENA display the images and symbols from most of the aircraft systems or the data from the sensors. The "heads-down" device displays synthesized information in dot matrix form, maps, TV images, TV grids, or in combined synthetic characters. The images are digitally generated, pixel by pixel, and the screen sweep system is fully compatible with the future flat screens. The distributed data processing capacity available for avionics is monitored by a numerical bus MIL-STD-1553 B. Vocal control and alert systems developed by Crouzet are planned for the Rafale.

Aircraft construction will draw on new materials and new manufacturing techniques. First will be composite materials, primarily carbon fibers which produce a weight reduction of some 20 percent. The Rafale will also use Kevlar fiber and an aluminum/lithium alloy which produces almost a 10 percent increase in density along with improved mechanical strength, compared to conventional aluminum alloys. Other innovations are a superplastic molding procedure and a titanium diffusion welding technique which lead to the creation of self-straightening and complex aerodynamic structures from thin, flat plates in one single heating operation. Composites account for 35 percent of the Rafale's total structural material. The Rafale will carry SNECMA's [National Company for Aircraft Engine Studies and Construction] M-88 engine which is currently undergoing tests. The first complete engine is expected to be operational in spring of 1988. The aircraft, while able to fly at 800 knots near ground level, will be capable of turns under in excess of 6 g's stabilized in transonic flights at 20,000 feet and under 9 g's stabilized near ground level. It will make its approach at less than 120 knots and will land in approximately 300 meters. The Rafale will have the Thomson-CSF RDX radar, a multimode radar capable of detecting and tracking eight targets simultaneously at any altitude, especially hedgehopping targets. Pulse compression and Doppler beam concentration will be used to increase angular and range definition as well as to avoid low altitude ground echoes and reflection from water.

In its "combat" version, the Rafale will carry six MICA missiles. This new generation missile developed by Matra will have active radar seeker (Electronique Serge Dassault) and a multicellular interchangeable infrared (SAT) seeker. Guidance, using aerodynamic control surfaces, is linked to thrust invertors during acceleration to permit 90/100-degree turns in 1 second.

When the Rafale begins its first flights, the official program launch will have to take place promptly to supply the Air Force with the planes needed to maintain its air fleet at a minimum operational level of 450 fighter planes and the Navy with the shipboard planes to replace the Crusaders and Etendards. Regarding the ships of the French Navy, the two aircraft carriers Clemenceau and Foch will reach the end of their service life late in the next decade after more than 30 years of good and loyal service. In 1980 it was decided to start work on two carriers of similar tonnage (32,000 metric tons) driven by nuclear power.

The Richelieu with a 36,000-metric ton displacement will begin its career with the current air fleet's modernized Super-Etendards. It will later take on board the "shipboard multirole plane" which Naval Aviation wants, the naval

fighter plane (ACM) which may have many features in common with the Air Force's tactical fighter. It will be a twin-engine 20-ton catapult-launched jet similar to the American F-18. The Richelieu's flight deck will be largely clear, with an 8'5 angled oblique runway, two steam catapults and two elevators. The widened flight deck (60 m) allows the elevators to be placed along the rail, the catapult tracks to be lengthened (75 m) and to free up parking area allowing some 20 planes to be catapulted and retrieved. A take-off platform is planned for the future short take-off planes. Fully-automatic deck landings will be possible thanks to optics and guidance systems. Nuclear power has eliminated smokestacks, allowing the hangar to cover the ship's full width and permitting storage and maintenance of some 20 planes or helicopters. It is split into two sections by a fire door, each one serviced by an elevator.

The Naval Constructions and Armaments Establishment (ECAN), a part of the INDRET [subsidiary of the Naval Constructions Directorate] at Saint Nazaire, will be building the two nuclear boilers which will propel the Richelieu at 27 knots. Working under the supervision of the CEA [Atomic Energy Commission], it will produce two K-150 reactors generating power at 150 thermal kW which will deliver 83,000 hp to two shafts. In developing these boilers, Technicatome--which is responsible for the engineering--showed great originality in mounting the steam generator above the PWR reactor. This increases safety as this configuration ensures continued water circulation even in case of a pump failure. Jeumont-Schneider, Rateau will also be involved in this program. Four 2,000-kW diesel alternators will supply the electrical power.

The Richelieu, which carries 40 aircraft, also has capacity to embark 1,850 men, 850 of which will be involved with the aviation activities. It will also be able to take commandos on board. As for armaments, Thomson-CSF is responsible for the research and development of a combat system based on two command and control systems, the "brains" of the Richelieu. The first will manage the naval forces and the second the ship itself. The latter will be designed around the SENIT (Naval Tactical Information Operating System) and built by Thomson's SDC (Defense and Control Systems) division, which manages data from radar and other sensors to optimize the use of the carrier's various defense systems.

The Richelieu will carry the DRBJ-11-B electronic sweep three-dimensional watch radar, a DRBV-27 long-range watch radar, and a DRBV-15 antisurface watch radar, as well as the Vampir infrared watch system. For defense the DCAN (Naval Constructions and Armaments Directorate) called on the Leading French companies in this field: Matra will supply a system derived from the Mistral, the "Sadral"--Mistral mounted on a CSEE [Electronic Devices and Signals Company] carriage--for defense against antiship missiles, while Matra and Aerospatiale are competing to obtain the new generation long-range antiaircraft missile business (type SA-90), an arms system which will be launched vertically and whose launching system will be built by Thomsom. In the area of electronic warfare, the Richelieu will incorporate the latest developments: ESD [Electronique Serge Dassault] radar jammers; decoy launchers to fool the CSEE antiship missiles and, for the first time, antitorpedo decoys. In the event of an attack of this type, an underwater decoy will be launched having the same acoustic and magnetic signature as the carrier itself. To manage all these systems in real time, computers will have Syseca software.

The approximately 3,000 computers, terminals, and sensors will be linked by a data transmission system which CGA-HBS (Alcatel) will help to develop. The system will be based on the use of a wideband fiber optic network. There is competition between SFENA and SAGEM for the inertial navigation systems, while the transmission systems will likely evolve from cooperation between TRT (Radioelectric and Telephone Telecommunications) and Thomson (one system will use the Syracuse satellite).

Construction of the nuclear aircraft carrier, scheduled to take place at Brest, will bring 11,500 jobs per year spread over some 10 years to this shipyard. Sea trials should take place around 1996. At that time a second nuclear aircraft carrier will be started. The total of the program is around Fr 17 billion, to which must be added the Fr 25 billions for the 85 planes on board. The 1986 budget allocates only Fr 130 million, with, granted, Fr 500 million for program authorization. But France is also interested in the development of surface effect ships (NES), as are the United States, Great Britain, and Norway.

Towards the end of 1979 it was decided to build a working model, the "MOLENES," or Free Experimental Surface Effect Ship Model, which would incorporate the results of all research to that date. Weighing 6 metric tons, it had a 20-knot speed. The tests made at the Toulon DCN (Naval Constructions Directorate) were good enough to lead the DGA [General Armaments Directorate] to decide in 1982 to authorize the study of a 200-metric-tons craft capable of doing 40 knots. Three ministries were associated with this project: Defense, Foreign Trade and Industrial Redeployment, and Research and Technology, with the involvement of the IFKEMER [French Research Institute for the Exploitation of the Sea]. Two civilian naval shipyards are also partners in the project: the CMN (Normandy Naval Shipyards) and the Havre Workshops and Shipyards. This program, "the NES 200" involves one common platform using various layouts and equipment depending on the version involved.

The 200-metric-ton surface effect ship is a thin-hulled catamaran whose air cushion is enclosed by the two hulls. When not moving on its "cushion," the NES 200 behaves like a standard catamaran. Its "high momentum" profile allows higher speeds and a better ride with less pitching. It has a welded aluminum alloy hull and the lift is provided by industrial fans. Forward and aft the air cushion seals are equipped with flexible neoprene skirts.

Standard high performance diesel engines each drive a water jet to provide propulsion. The box section which joins the two hulls limits wave impact to a minimum while the NES is cruising as a catamaran, and also limits the air cushion height which ensures good stability. The draft is reduced by 80 percent when it rises on its air cushion, yielding a good speed/installed power ration.

The NES's performance is 40 knots in calm seas, 35 knots in force 2/3 seas, and 28 knots in force 4. The automatic adjustment of the air at the rate of 95 cubic meters per second for an installed power of twice 1,000 hp. Primary propulsion is provided by a water jet located astern on each hull and powered by a 4,000-hp diesel engine. In the catamaran version, two additional water jets are driven in the same manner as in the air-cushion version.



Propulsion is limited to the power of two 1,000-hp diesel engines, which yields a cruising speed of 15 knots.

It should be noted that an NES can carry a helicopter which it is capable of launching in a force 4 sea. Experts suggest that ships of this type will be standard equipment in combat fleets between now and 2010.

Several systems are being developed in the telecommunications field. The integrated automatic transmission network (RITA), already in use in the French Army and adopted by the U.S. Army, was designed to satisfy the telecommunications requirements of a fighting force all the way from the highest command levels to the highly mobile forward command posts. It provides a flexible and mobile network which can be quickly adapted to a changing tactical situation and fulfills the transmission needs of land forces whatever their size, their organization or their deployment.

It is a lattice network consisting of automatic electronic switching devices linked by hertzian beam. The stationary users are linked by concentrators tied into the automatic switches by cables or hertzian beams while a radio integration system links the mobile users. The latter system allows nine simultaneous communications within a radius of 10 to 40 km. RITA incorporates global encoding of the network junction by junction and total encoding of the radio links. It has NATO-type interfaces within the analog channels and manual interfaces with the local telephone and telegraph system, the two-wire BL networks and the HF networks.

Now in its operational phase, the "Syracuse" radiocommunication system is the military component of the Telecom 1A and 1 B satellites built by Matra and launched by Ariane in August 1984 and May 1985, respectively. It provides permanent high capacity and quality links, over and above a supplementary radio system, whatever the distance between the two stations involved so long as they are within the satellite's broadcast reach. Communications are protected from intrusion, interception and jamming.

The Syracuse system includes two segments: First, the space segment consists of two repeaters on board each of the two satellites. The reception zone is the same as the transmission zone which is the surface area visible from the satellites, in other words, one-third of the earth's surface--from the Antilles to Reunion Island. Second, the non-space earth segment includes several types of stations: land stations at Lanveoc-Favieres-Southern France, naval units on board French Navy ships (some 10 of them), mobile land (shelters or trucks) and mobile air (on Transall) units. Four stations are planned for sites at Reunion Island, Dakar, Djibouti and Fort de France.

The space component of this system is to be replaced in 1992. The new Syracuse II system will have increased communication capability, better protection (sites hardened against nuclear attacks) and the capability of communications with small mobile terminals. The system will either be wholly military, or developed in cooperation with the PTT.

In the area of space information, initial plans are to use civilian satellite pictures (Landsat and Spot). Last February the minister of defense decided to

launch the "Helios" program. This spy satellite, weighing 2,200 kg, takes advantage of the work done for the Samro satellite and the experience of Spot. Aerospatiale will be the primary commercial architect of the system which incorporate space and earth components. The company will also be the prime contractor for the three specialized centers built in the Paris area: operational missions center, video reception center (Telspace-Starel and Elecma will be in competition) and an image interpretation and processing center built by Matra and SEP [European Propulsion Company]. The satellite will be built by Matra and will use the Spot platform. Helios will have an Aerospatiale telescope with Sodem's REOSC and CCD charged-coupled device detectors. Aerospatiale has successfully tested a high resolution camera while Enertec and Crouzet have developed prototypes for two high capacity magnetic recording devices. Finally, Alcatel Espace will be responsible for remote control and telemetry.

A Frech-German work team has also been created in view of possible German involvement in the program. The first satellite could be operational in the early 1990's.

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## COMPANIES SEEK MIRAGE, DESERT TANK SALES TO SAUDIS

Paris LE MONDE in French 24 Jun 87 p 16

[Report by Jacques Isnard: "French Industrialists Try to Sell 250 AMX-40 Tanks and 100 Mirage 4000 Aircraft to the Saudis"]

[Text] French industrialists in the armament industry have mounted a comprehensive attack on the Saudi market, at the risk of competing among each other and leaving the way open to foreign suppliers. This was illustrated at the Aerospace Fair, which closed on Sunday 21 June at the Bourget, and the exhibit of ground armaments, which opened on Monday 23 June at Satory. The state, i.e., in this case the Ministry of Defense, is unwilling to act as the umpire in this French-French competition: it will not object to the point that it is up to the best French industrialist to persuade the Saudi customer.

At the Bourget the Dassault-Breguet group displayed the Mirage 4000, which is the twin-jet version of the Mirage 2000 single-jet fighter used in France and abroad. Discussions with the Saudis lead to believe that Ryad could be interested in purchasing some 100 Mirage 4000s since the United States is experiencing some difficulties in deliveries of new F-15 aircraft.

However, the Mirage 4000 is not operational in its current aspect, and its development, should Ryad continue its discussions with the designer, would require further testing, eventually to be conducted at the expense of the customer. Such tests should take place at Mont-de-Marsan, which is a specialized base of the French Air Force. It appears that Minister of Defense Andre Giraud does not favor this development, and would prefer the Saudis to show an interest in the Rafale, which is a twin-engine jet lighter than the Mirage 4000, which will become operational after 1996 by the French Air Force and Navy Air Force, as the prime minister indicated at the Bourget Fair.

At Satory, the Ground Armaments Industrial Group (GIAT) which consists of some 10 projects, exhibited the AMX-40 tank. This 43-ton armored vehicle was not ordered by the French ground forces which chose to replace its AMX-30 with the new Leclerc tank. Conversely, the AMX-40, which has been described as the "desert tank" by its designer, has been of interest to the Saudis and current discussions with Ryad involve the purchasing of 250 tanks of this model which, according to the GIAT, has been designed to operate over long distances and in hot climates.

The ground weapons technical services, which depend on the general armament office, unlike the situation with the Mirage 4000, gave their support to the designer of the AMX-40 in the discussions with the Saudis by helping in the demonstrations and thus conferring it an almost official approval. It is essentially this summer that the Saudis who, on the other hand, have been asked to consider the German Leopard-2 tank, will make their choice.

#### French-French War

However important such items may be, the Mirage 4000 and the AMX-40 are not the only military ordnance suggested by France to Saudi Arabia. Actually, the list of possible arms for Ryad also includes attack submarines with conventional propulsion, armed with torpedoes, and Atlantique-2 sea reconnaissance aircraft, a model with the Dassault-Breguet group would like to sell to the FRG. The competition against France for the eventual sale of attack submarines to Ryad includes foreign companies; the United States is offering Orion aircraft, which is competing against the Atlantique-2.

It is precisely this French-French commercial warfare, within the heart of a huge competition with foreign suppliers, that worries and irritates officials at the Defense Ministry in Paris. Officially, they are playing by the rules of the international market and refuse to organize the French offensive, thus making it more credible: let the best man win, the ministry says, if he can convince the customer.

In reality, the situation is not so simple. The appearance of the Mirage 4000 has been only criticized by the French authorities who do not conceal the fact that industrialists involved should expect no official assistance. Conversely, there is readiness to help in the sale of AMX-40 tanks and the delivery of submarines, ever since the Saudis, by purchasing frigates and anti-surface helicopters, a few years back, have entrusted Paris with the updating of their navy. The freedom of commercial maneuvering of the French remains delicate in this case: in an effort to pursue too many targets at the same time, the French may fail to have any success with a client whose financial capacities are no longer limitless.

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## SERGE DESSAULT DISCUSSES AIRCRAFT SALES TO MIDDLE EAST

London AL-TADAMUN in Arabic 4-10 Jul 87 pp 8-11

[Interview with French Airplane Magnate Serge Dessault by Hamidah Na'na'; "We Shall Never Sell the Mirage to Iran, and We Look to Saudi Arabia;" in Paris, date not specified]

[Text] During an hour and a half session at a chalet reserved for important guests, Serge Dessault, whose father Marcel Dessault was the emperor of the French aircraft industry, gave AL-TADAMUN the first interview he has ever given to an Arabic-language publication. In meeting with our colleague Hamidah Na'na', Mr. Dessault departed from his long-standing tradition of not speaking to the press. Even to the French press itself, Serge Dessault has spoken only a very few times. This interview is significant because it features the man who heads the third-ranking aircraft manufacturer in the world, after the United States and the Soviet Union, and also because it deals with various aspects of importance to decision-making circles in the Arab world, as well as to the Arab people. During the interview, which took place on the eve of the final day of the Le Bourget aircraft fair, the 61-year old Serge Dessault clearly stated that Iran would never get warplanes from France as long as the Gulf war continued, and that the French aircraft industry looks to Saudi Arabia as an important market. Here is the text of the interview.

[Question] Since the French aircraft industry you head is the sort of industry which is inseparable from politics, let's begin the interview with a political question or observation. Over the past 20 years, the name "Marcel Dessault" has aroused contradictory feelings in the Arab world--hatred, rejection, curiosity, questioning, and painful memories--because the Mirage planes which the Dessault plants manufactured and sold to Israel before the 1967 war contributed to the consequences of that war. Subsequently, French policy in the region changed, and sending arms to Israel was forbidden. Arab markets were opened up to you, and Libya was your first customer. Could we start here by asking you how French warplanes are sold, and where your company's role ends and the French government's role begins, and vice versa?

[Answer] First of all, I would like to bring up an important matter. Our company is a French company which acts in the interest of the French Defense Ministry. Therefore, we must observe government regulations and policy in this regard. It is true that we sold Mirages to Israel before 1967, but that

was connected with French foreign policy. Ever since 1967, we have not sold planes to Israel, in order to comply with General De Gaulle's famous embargo on selling arms to the parties which began the 1967 war. Since that time our industries have developed, and we have manufactured new planes which Israel does not have--for example, the Mirage 2000, which several Arab countries now have and which Israel does not. In other words, the decision to sell planes, either military or civilian, to this or that party is not up to the Marcel Dessault Company. Any request to buy warplanes or civilian planes passes through the ministries involved, such as the Ministries of Defense, Industry, Communications, and the Economy, before reaching us. The decision is the French government's. For example, we have to abide by the decision not to sell warplanes to the South African government because of its domestic policies. The same thing holds for the Arab and Israeli markets.

[Question] To which Arab countries have you sold Mirage 2000 planes? Which states have asked to buy them but have not gotten them? How many such planes are there in the Arab countries?

[Answer] I can't tell you the exact number, but I can say that Egypt has the Mirage 2000, which Jordan may someday get. Iraq now has the Mirage F1, which Israel does not have. I would like to point out that we don't sell planes to both sides of any given conflict at the same time.

[Question] It is well-known that Egypt has bought several Mirage 2000 planes, as has Abu Dhabi and Algeria. Furthermore, Morocco is now requesting 24 planes for its air force. The question which pops up right now is: why haven't you won over the Saudi market yet?

[Answer] The Saudi market is an important one for us, which we hope to win some day. However, so far it has fallen to the United States. I believe that someday the Kingdom of Saudi Arabia will turn to us because of American policy, for right now it is uneasy about America's policy on selling arms, since there are always obstacles in the way of Saudi Arabia's purchase of equipment and parts needed for its planes. As I said, we hope to someday take America's place in this field.

[Question] Have there been any contacts or negotiations in this regard?

[Answer] Contacts are under way which will help clarify the situation between us. However, these contacts have not yet led to sales negotiations. We have had requests from Saudi Arabia for the type of planes which Jordan has acquired.

[Question] The first Arab client to buy Mirage planes from you was Libya. Are you still providing Libya with spare parts for these planes, in spite of French-Libyan differences?

[Answer] No, not at the present time.

[Question] Morocco has requested 24 Mirage 2000s. In your estimation, does such a number constitute a significant air force, or does a country like Morocco need a greater number?



[Answer] This is a considerable number for a country such as Morocco, or Jordan, for example, but a country such as France would need 400 such planes for its air force.

[Question] Iraq is one of your important markets. Are you selling to Iran at the same time?

[Answer] Yes, the Iraqi market is important. A large number of Mirage planes have been sold to Iraq, and we hope to sell more. However, we are not selling to Iran, because in the Iraq-Iran war France is siding with Iraq. We are friends with Iraq.

[Question] It is obvious to any observer that the competition between yourselves and the United States, as well as with the Soviet Union and other European countries, is at its peak. What do you think of this rivalry?

[Answer] Yes, we are in simultaneous trade and technological rivalry with all the other countries. However, our competition is mainly with the United States. Vis-a-vis the United States, the Mirage 2000 is the model which we must advance and develop. As for the Soviet Union, we don't know very much about what they are making, but I am convinced that our plane is better.

[Question] But isn't the British Tornado considered strong competition for the Mirage 2000?

[Answer] No, the Tornado is not a competitor, because it is heavier than our plane and takes longer to get ready for combat. It is also bigger. None of these attributes are any more preferable than our plane's attributes. There is no competition between us and the other European countries, although it might occur in the future. I repeat: our only rivalry now is with the United States. But our planes are better than theirs.

[Question] Nevertheless, the Rafale which you make has an American engine. Are there any studies or plans to replace this engine with a French-made engine?

[Answer] First of all, let me point out that the Rafale is not for sale now, being still in the manufacturing stage. There have been studies on replacing the American engine with a French engine. Much progress has been made, and the American engine will indeed be replaced by a French engine.

[Question] How long will this take?

[Answer] We are working on this.

[Question] Some French politicians have issued statements about buying American planes for the French Navy during the period from 1993 to 1996, specifically the F-18. Indeed, some politicians feel that manufacturing planes places a huge burden on the French government, and therefore the Americans must help out. What do you think?



[Answer] No official statement has been issued in this regard, and no French decision has been made to buy planes from the United States for the French Navy. Several French naval problems need to be studied. In this regard, the question is not the difference between our planes and the American planes; rather, it is a question of time, since our Rafale will need several years to become operational.

[Question] In what basic areas are you working today?

[Answer] We are still making the Mirage 50, as well as the Mirage F1, which is a plane which has high capabilities because of its ability to carry various kinds of missiles. We are also making Alpha Jets, Super Etendards, and Mirage 2000s, which all of our customers are pleased with because of their various features and their combat systems, which are better than those of any other planes. The Mirage 2000 is a plane which can perform air defense missions very well; it can intercept other planes at high altitudes, and can attack land or sea targets. In fact, we can even say that this plane can carry out any mission which might be needed for air defense. Nevertheless, we intend to look into developing some of its capabilities, such as its radar networks, its bomb launchers, and its laser-guided missiles. A little while ago you mentioned the Rafale, in this connection I would like to say that the Rafale 8.5, which is still in the manufacturing stage, is the most important plane being made by our company today. It has various significant distinguishing features: it can take off and land quickly, fly at high altitudes and at high speeds, and can cover long distances while carrying weapons. Our activities include the manufacture of the Falcon 900, a large, comfortable, quiet plane, as well as the Atlantic, with its new combat system. There has been a lot of cooperation between us and Germany over this latter plane.

[Question] In addition to the manufacturing activities you mentioned, your company has a presence in other industrial areas such as updating old planes. Could you give us some details about this area?

[Answer] Yes. We have decided to become active in the following fields.

1. We are overhauling old airplanes, not just our own, but old American and Soviet planes belonging to our friends.
2. Several countries have asked our aid in designing and manufacturing planes for their future use, and we will work in this direction.
3. The third area in which we have been active is the manufacture of airplane bodies for Fokker. We made the body for the Fokker 50, after having made the body for the F-27.
4. Our subsidiary, Dassault Systems, has signed an important agreement with Boeing to build the CATA guidance system for the 737 program. We have signed other agreements with Boeing on developing computer guidance programs.

These are the activities and industries we are active in. But we are working towards other horizons. For example, we are in the process of developing combat weapons systems, taking into consideration the needs of each of our clients.

[Question] You have also been an important participant in making the European Hermes shuttle, is that not so?

[Answer] Yes, we are taking an active part in Hermes, since we are studying the aerodynamic shape of the plane, as well as looking for better ways of enabling this plane to go into space at the maximum speed. Our company is also looking for ways to enable the Hermes to endure the high temperatures it will face during flight, and we have also established a space activities section.

[Question] Are you still working on developing the Falcon plane?

[Answer] Yes, our activities in this area are still continuing. We have succeeded in making a new engine for the Falcon, and our technological activities include making the Garrette TFE 731-5 engine. We will continue our studies into improving these planes and giving them greater capabilities in all areas, be it surveillance or broader military usages.

[Question] You said that you are in technological and commercial competition with the United States. In what way are you different from them? What more can you give your clients than they can?

[Answer] What distinguishes us from the Americans is that we sell fighter planes with the appropriate combat equipment, i.e. radar, missiles, and all the weapons a fighter plane needs. The Americans sell just the plane. This is their weak point. A fighter plane is a plane made for fighting, not for pleasure. In order to carry out its missions, it needs weaponry. For example, the weapons which go along with the Mirage 2000 are considered the best kind available, better than their counterparts which go along with the American F-16, because the Mirage 2000 is capable of firing quicker than the F-16.

[Question] What do you have to say about the recent incident when three Mirage F1s went down during training? Was this accident due to shortcomings in the plane's technical capabilities or to human error?

[Answer] I can't say for sure; we must await the results of the investigations which the Air Force is now conducting. However, in a preliminary way I can say that during the training exercises the three planes were close together in a cloud formation, and that might be the reason they went down. If it turns out that this was the reason, then the fault is not in the plane, and is not due to technical reasons.

[Question] There are plans to produce the European ACE plane, which is presumably more advanced than the Rafale you are now making, and which is expected to be operational by 1995. An international company, to which you and some other European countries have contributed capital and staff, has been formed for this purpose. The question is: will this company accept Arab capital, and under what conditions will it do so?

[Answer] Why not? As long as someone agrees to contribute to the financing of this project, the company will accept that participation, as long as it is true participation, not just a loan. There are no specific conditions for such participation.

[Question] As an engineer and technician, could you discuss the distinguishing features of the French industrial satellite, Ariel?

[Answer] As you know, the Dessault company is not connected with the production of the Ariel. We have participated in the production of Hermes, but not in the production of Ariel. Making Ariel is a very important operation.

[Question] A little while ago you referred to the better features you offer your clients compared to the Americans. Are your special features better than those of the Soviet Union? Since we know that the Soviet Union is the other country which sells fighter planes and defense systems, what makes you different from it?

[Answer] We don't have any precise information on the Soviets. In order to ascertain what distinguishes one plane from another, we must be aware of many details. Two planes can be compared on the basis of speed, specifications, and the ability to carry combat systems. We don't have any of these details on Soviet planes, but I can say that every time our planes have encountered Soviet planes, our planes have been the victors. You know very well the results which Iraq has been able to achieve in its confrontation with Iran because of our planes. The superiority of one plane over another is not just in the plane, but in its combat system, including the pilots' training. This is the integral system which our company offers to whoever buys our product. We don't sell our planes and leave the customer to fend for himself; we arrange the plane's combat system before we sell it.

[Question] With respect to war aviation, what is your most important market, and where are you active?

[Answer] The Arab market is our most important market. We have other clients in Latin America, such as Peru. The problem is that while our planes are outstanding, they also have their shortcomings in the commercial sense. We make planes which can be used for a long time because of their durability. This helps us to sell them, but it also leads these countries to put off buying new planes from us for a long time.

[Question] Are you thinking of moving your aircraft industry to some Third World countries like the automotive companies did, in order to benefit from cheap labor, or does this sort of industry need skilled and trained manpower which is not available in Third World countries?

[Answer] With respect to the aircraft industry, this is a very complicated issue. I would like to underline the phrase "Third World," since such an expression needs to be defined. For example, some industrial nations like Brazil, which is considered a Third World country, have reached the stage of making airplanes. The same goes for India, which has considerable industrial capabilities in the aviation field. And Egypt has succeeded in making the Alpha Jet training airplane. We are ready to offer technical assistance to any country which asks us to help develop their industry. This is not a philosophical concept but an economic one, because aid is the first step towards the improvement of relations and the creation of permanent ties. If

we refuse to work with these countries, the day will come when there will be conflict between us and them. As for moving the aircraft industry the way the automotive industry was moved, to take advantage of cheap labor, this has not happened, and will be very hard to do.

[Question] What about your company's activities in civilian fields, by which I mean the manufacture of civilian passenger planes and official planes for presidents?

[Answer] As for official planes, Libya is using our Master Falcon plane on official missions, the Shah's sister used to travel on one of our planes, and our company has made planes for official use by several African presidents. We have also produced the Business Jet plane which is now being used by more than 60 countries around the world, especially Canada and Australia. Three-quarters of the planes we make are sold in the United States, and the most important clients for our Falcon 900 are Americans.

[Question] But the Falcon is a European plane, not a French one.

[Answer] That is true. Part of the plane is manufactured in Spain, another part in Italy, and a third part by Dassault-Electron, while it is assembled by the Dassault Biriget Company.

[Question] What percentage of French exports does your company account for?

[Answer] A high percentage. The Thompson deal with Saudi Arabia was one of the most important commercial deals France concluded in 1984. As for the export of defense systems, we are in third place, after Russia and the United States.

[Question] What made this year's Le Bourget fair different from previous years? Were important deals concluded after the visit of several official personages? Did you sell more this year than last year?

[Answer] We are much more optimistic this year than we were last year, for at least 3,000 fighter planes in service in Arab countries, as well as in other countries which import from Western countries, need to be updated. We have to get our share of this deal. However, that does not mean that we will stand around and wait. We are making major efforts to export our products. These results don't have to appear tomorrow. Important persons from Germany, Spain, America, Saudi Arabia, Qatar and Egypt--in fact, from every country of the world--visited the Le Bourget fair this year. Everyone knows that they didn't come to the Le Bourget fair just for fun. Negotiations and preliminary requests are always being presented by various countries in order to outline their needs. During meetings held at the fair, we talked with clients about possible sales. After that comes the second step, in which the clients say that they are ready to buy. Then we begin discussing financing and payment methods. For example, will payment be in dollars, francs, gold or oil? Everyone knows that aircraft sales contracts run in the millions of dollars, and are very difficult to negotiate. The political aspects of these deals are not our concern, but the French government's. This year we have negotiated with 12 countries for the sale of warplanes, whether Mirage 2000s, Alpha Jets, or Atlantics. Any contracts which we might conclude will take years to implement.



[Question] If I were to ask you what incentives you offer your Arab clients to buy from you, what would you say?

[Answer] I tell them that France is a friend of the Arabs, and that its policy is closer to them than the United States' policy. I tell them that we don't place any preconditions on the sale of equipment and planes like America does. I tell them that what makes France different from the United States in the field of war aviation is that France sells both the plane and its defense system. Finally, I say that we are closer geographically and our relations are stronger and warmer.

[Question] Some time ago the government nationalized part of the Dessault Company, and there is talk in official circles right now of the government's desire to sell its shares. Will you try to regain these shares in order to regain complete control of the company?

[Answer] The de-nationalization process has already begun for many companies, but not yet for the Dassault Company. I would like to say that this issue does not concern me right now. The French government will be selling its shares, but it hasn't yet decided when.

[Question] Would you like to get these shares back?

[Answer] Not necessarily.

[Question] What do you mean? Why not?

[Answer, with a smile] We don't have the money.

[Question] You are helping us give this interview a provocative title: "Serge Dessault Doesn't Have Any Money."

[Answer] I don't mean that we are poor, or that we don't have any money. The money we have is being used in several projects, such as the Ravelle and Mirage projects and the like. These projects need huge amounts of money. Buying shares from the government is a different matter.

[Question] For most of the French people, your father has become a sort of legend, because he established and helped develop the French warplane industry. How was he as a father? Was it easy to be the son of Marcel Dessault?

[Answer] Why would it be hard to be Marcel Dessault's son? There is a book about my father, which gives the full story of his life, beginning before the Second World War when he made an airplane propeller and then a plane. The special thing about my father was that he always made the best plane of its type.

[Question] How was Marcel Dessault as a father?

[Answer, with a smile and a wave of the hand] He was a very hard father, since he demanded hard work and many results from myself and my brother.



[Question] Did your father want you and your brother to work for the Dessault Company, in aviation particularly, and does your brother work with you in the same field?

[Answer] Certainly. However, my brother is far from the aviation field, since he is a businessman.

[Question] In addition to his accomplishments in the aircraft industry, your father played a political role, since he was a parliamentary deputy--in fact, the oldest parliamentary deputy--until the end of his life. Are you active in politics, especially since you have written a book about liberalism?

[Answer] I have tried to play a political role by participating in the municipal council of the area where I live. However, this area is controlled by the Communists. Ever since I became chairman of the board for the Dessault Company, I have not been entitled to run for elections, because French law does not permit a person to combine these two activities--to be head of a government company as well as a parliamentary deputy. The way I understand liberalism, it means more than just freedom of economic activity; it calls for the application of a policy of minimum taxation and minimum state interference in the affairs of private organizations, so that these organizations can grow, invest their money, and employ or dismiss manpower as the need arises.

[Question] You seem to be quite an admirer of the American system. You are not the only one with this inclination, for an entire generation of Europeans feels that the policies which America is applying are worth copying.

[Answer] Yes, although some American economic policies need to be reviewed. For example, the pre-Reagan tax policy needed to be amended by Reagan's tax policy, which is a liberal policy in the full sense of the word because it reduces taxes on consumers and on economic organizations. This is what Margaret Thatcher is doing now in Britain. If applied, would liberalism in general benefit the French people? I believe it would, but unfortunately there is no liberalism in France.

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## COMPANIES VYING FOR RAFALE RADAR SYSTEM

Paris LE MONDE in French 2 Jul 87 p 12

[Article by Jacques Isnard: "Serge Dassault Electronics Challenges Thomson-CSF for the Rafale Aircraft Radar"]

[Text] Serge Dassault Electronics (ESD) has challenged Thomson-CSF on the design of a radar which would be installed on a fighter aircraft based on the current Rafale "demonstrator." The two companies are in a race although they are partners or cosuppliers in other military programs. The decision of the Ministry of Defense is scheduled for 1988. For the time being, the authorities are allowing the free competition between the two electronic companies.

Initially, when urged by Defense Minister Andre Giraud, the French industrialists were asked to set up an economic interest group, the GIE-ACE (European fighter aircraft), to develop the Rafale, the Thomson-CSF group alone had been asked to design the proper radar on the basis of its RDY project which was a spin-off of the system used in the Mirage-2000 and developed on the basis of the RACAAS program, which had been initiated by the state.

Conversely, the ESD and Thomson were working together on the development of electronic countermeasures for the future ACE (systems which allow an aircraft to avoid enemy detection) and should the RDY program be deemed satisfactory, it was understood that the ESD would work together with Thomson, as is already the case, for instance, with the radar systems of the Mirage-2000 (air defense) or the updated Super-Etendard.

Since then, the ESD, which is opposed even to the design of the Thomson radar for the future fighter aircraft, has tried to become a full partner in the GIE-ACE. Seemingly expecting a great deal from this French-French competition, which could stimulate Thomson, the Ministry of Defense allowed the ESD to acquire a 10 percent membership in the GIE-ACE, like Thomson. Furthermore, it has accepted to examine the offers of the company, which sees in this matter an occasion for challenging Thomson on the market of high-technology radar which is a spin-off of the state RACAAS program, of which it had been excluded in 1980-1981, when it was undertaken in accordance with the ACE project.

## Verdict in 1988

Very briefly, the strategies of the two companies differ on a basic problem. With its RDY, which has already been installed on an experimental Mystere-20, which is an air-air (interception) radar, to which air-surface functions will be added (ground tracking), to meet the needs for a final radar (to be known as the RDX) for the fighter aircraft based on the Rafale, is offered by Thomson. The ESD has taken the opposite route: detection and air-air pursuit will reinforce the terrain tracking functions and the configuration of obstacles at low altitude, already visible on existing radar, which is the Antilope of the Mirage-2000, the purpose of which is the low-altitude penetration of a nuclear weapon. Testing of the new ESD radar is scheduled for the beginning of 1988.

Thomson, which claims to have invested more than 1 billion francs in the self-financing of its project, has announced that the deliveries of such radar could begin in 1991. In turn, the ESD which, it is said, may invest 250 million francs, would be ready to deliver an initial version of its radar in 1993 and an even more advanced version (twin electronic sweep antenna) in 1995 or 1996.

At the Bourget Fair, Prime Minister Jacques Chirac instructed the technical services and the industrialists to position themselves already now for the production of an operational spin-off of the Rafale by 1996. This fighter aircraft, whose "demonstrator" has been flying since July 1986, should be supplied to the French Air Force, which needs to replace its Jaguars and Mirages and its navy air force with a successor to the Etendard. The purpose of the organization of the GIE-ACE was to allow other industrialists to participate in the program, providing that the governments of their countries--Belgium, the Netherlands, Denmark, Norway and even Spain--would decide to purchase such aircraft.

Meanwhile, toward the end of 1988, after the technicians of the French general staffs will have finished their review of the proposals submitted by ESD and Thomson-CSF, it will be the task of the minister of defense to end with his verdict this French-French competition. Whatever the outcome, the winner will be probably sentenced subsequently to cooperate on the development of his project with his former rival.

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FRANCE

MILITARY

### SERVICE ELIGIBLE REGISTRATIONS DROPPING

Paris LE MONDE in French 4 Jul 87 p 26

[Article by Jacques Isnard: "Increasing Numbers of Young Frenchmen Fail to Register for National Service"]

[Text] Whether it is subconscious avoidance of military duty or simple negligence in observing administrative formalities, an increasing number of young Frenchmen are neglecting to register at town hall as required by the law on national service. The situation is sufficiently worrisome to concern the Armed Forces, which intend to launch a major campaign for making the future conscripts aware of the fact, through advertising messages and the TAM magazine, which has been revived to this purpose.

According to the law, it is the duty of Frenchmen when they reach the age of 17 to go to the town hall (or a consul, if they live abroad) to announce their readiness, should they be called to military service a few years later, to join the service, unless they are judged unfit or deferred at the time of the selection process. All that a young recruit must do is fill in a questionnaire which will be subsequently processed by national service offices. At that point the future conscript is given a file which stipulates the various alternatives of national service in the future and which, above all, allows him to express his choice, to demand a deferment of automatic enlistment, if he so wishes, to the age of 22. Thus, at the time of the review he may announce the time of his enlistment.

Paris and Vendee at Opposite Ends

The Armed Forces ascribe great importance to this step, although it is under civilian jurisdiction.

Should the young conscript neglect to register, the town hall at his place of birth will do so without advising him of the fact. This is known as "official registration." It has the inconvenience for the recruit that he can no longer ask for a deferment and, therefore, runs the major risk of being conscripted at the age of 20.

For the past several years, the number of such "official registrants" has been steadily increasing. In the case of the registrants of 1985, i.e., Frenchmen

registered between January and October 1983, the number of "official registrants" by the town halls, in the absence of any individual step taken, amounted to 14.94 percent for the country at large. For the 1988 group, i.e., Frenchmen subject to registration between July 1985 and April 1986, the figure was 20.1 percent.

Substantial disparities are noted among areas and even among departments, between the 1985 and 1988 registration groups. With the figure of 32.75 percent, the area of Ile-de-France beats all records for "official registrants." Within that area itself, Paris is at the top, with 50.68 percent. This is followed by Corsica and Provence-Cote d'Azur with, respectively, 28.94 and 28.24 percent of "official registrants." Conversely, the lowest are Brittany, Alsace, Lorraine and Poitou-Charentes, with the respective figures of 9.54, 10.33, 10.55 and 11.01 percent. In the Pays de Loire, with only 1.23 percent, Vendee is the leading department.

It is possible that some areas or departments show greater concern for observing the laws or else are more imbued than others with the concept of military service, based on their own histories. Specialists in national service would rather believe, as one plausible explanation, the growing urbanization of France: the disparity for a young Frenchmen between the town hall where of his place of birth and where he should register but whose services he no longer needs and the town hall of his place of residence, where he is accustomed to go on official business and which has nothing to do with this case. At the age of 17 a person has rarely visited town hall and does not even know that a suitably appointed person could register in his place.

Whatever the right reason, such population migrations force the town hall offices to engage in administrative juggling although they are already complaining of other excessive obligations. Furthermore, according to the calculations of the Armed Forces, they must use the equivalent of a gendarmerie squadron in France or some 100 gendarmes who must investigate the address changes of these "official registrants" before they can serve them the draft order.

### Three Million Francs Worth of Advertising

That is why the Ministry of Defense has decided to mount a national campaign on registration information. New more attractive posters which call upon the interested people not to forget to take this step when they reach the age of 17 will be exhibited in the town halls, schools, employment agencies, and youth and sports centers, where they will be put on advertising panels leased for the purpose. Local radio and regional television stations will be approached: at the beginning of next year, for example, the Ministry of Defense plans to spend 3 million francs on television "spots." Finally, authors of civic studies manuals will be asked to reproduce these posters in their works.

Nonetheless, the problem is the following: how to continue to make the future recruits, who have reached 17, aware of their military obligations which will have to be met when they reach the age of 20 and 5 months and, sometimes, even later, should they benefit from a student deferment?



In this specific case, the intention of the Armed Forces is to resuscitate their magazine TAM, which had folded last February because of cost and lack of readership. The TAM will try, its promoters believe, to "dedramatize" this period between the age of 17 and 20 in such a way as to describe to the future conscript what he can expect during his national service. TAM issues will be regularly aimed at this population on the basis of modalities which are yet to be defined with the post office and the National Commission for Computerization and Freedoms (CNIL).

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## BRIEFS

FRG STAFF OFFICERS -- Eleven officers from the three West German service branches will participate in a seminar to be held in Paris from 6 to 10 July, together with 12 officers from the three French services and the French Gendarmerie, on the topic of relations between society and defense policy in the two countries. This is the first joint seminar of this type ever organized since the conclusion of the 1963 Elysee Treaty, which sets the framework of military cooperation between France and the FRG. In October 1986 a French-West German commission had decided to reinvigorate this military cooperation treaty. Accompanied by Karl Carstens, the former president of the Federal Republic, and by Lothar Rhul, the current West German secretary of state for defense, the German officers will be welcomed by French Defense Minister Andre Giraud and Gen Jean Saulnier, chief of general staff of the French Armed Forces. These officers are members of the Bundessicherheitsakademie, which brings together for an 8-week meeting of officers from the three West German arms, for a discussion of military and strategic problems. Their 12 French counterparts come from the Center for Superior Military Studies (CHEM). For 1 year, at the Military Academy in Paris, this center trains general and senior officers of the three branches in exercising the responsibilities of their future high commands. For several years, West German officers have attended in France higher military training courses. However, this is the first time outside of such exchanges of professors or students of general staff courses, that such a seminar has been organized. Next year a similar seminar will be held in the FRG. [Text] [Paris LE MONDE in French 5/6 Jul 87 p 6] 5157

NEW DEFENSE OFFICIAL--Acting on the suggestion of Prime Minister Jacques Chirac, on Wednesday 1 July the Council of Ministers appointed Army Gen Gilbert Forray secretary general of national defense, replacing Army Gen Jacques de Barry who reached retirement age for his rank. General Forray was chief of staff attached to the Presidency of the Republic. The secretariat general of national defense is an interministerial agency in charge of setting up defense matter files for the prime minister. (Gilbert Forray was born on 16 February 1930 in Paris and is a Saint-Cyr graduate. He served in the Far East and subsequently in Algeria, before being transferred in 1957 to the French military mission in Laos. After holding several general staff positions in France, in 1972 he was given command of the Fifth Interservice Overseas Regiment in Djibouti; in 1974 he became director of the information and public relations service of the Armed Forces (SIRPA). In 1977 he was

appointed commanding officer of the third brigade and in 1979 deputy chief of staff of land forces. In 1980 he was appointed commanding officer of the Special Military School of Saint-Cyr; in August 1983 he was assigned to organize the Rapid Action Force, which he subsequently commanded. Since May 1985 he was chief of general staff at the Elysee.) [Text] [Paris LE MONDE in French 2 Jul 87 p 12] 5157

CS0: 3519/147

## U.S. BASES AGREEMENT VIEWED FROM VARIOUS SIDES

## Rejection of 'U.S.-U.S.' Negotiations

Athens POLITIKA THEMATA in Greek 5-11 Jun 87 pp 8-9

/Commentary by N. Delipetros: "'Americo-American' Bases Negotiations"/

/Excerpts/ In our opinion it must be admitted that the "step by step" policy in improving Greek-American relations was so successful that it finally led the Americans--step by step--to the very heart of Mr Andreas.

We are also obliged to admit that it was not only the Americans who entered Andreas' heart but Mr Andreas also entered the heart of the Americans.

And they are now treating him like the returning prodigal son. And they are ready to sacrifice "the fatted calf" for his sake; Greek demands.

Under these conditions we can conclude that the new bases agreement will come about after very tough Americo-American negotiations!

We beg that it not be thought that we are describing the upcoming negotiations as "Americo-American" just because some anti-PASOK fanaticism is leading us to exaggerate. What we maintain is confirmed by American commentaries--particularly the enthusiastic commentaries with which the former "big hawk," Mr Weinberger, greeted Mr Andreas' decision to conduct a referendum on the agreement that he will sign with the apparent and official American side.

The certainty the Americans have--the Americans officially--over the favorable outcome that Andreas' referendum maneuvers will have for their interests provokes astonishment.

But they know....

At this point we should well remember the statement made by Kostas Mitsotakis in the Chamber of Deputies during the discussion on a vote of confidence for the government:

"Gentlemen, put an end to this tasteless show and comic acts of bravado. Everybody knows that the Americans prefer you as negotiators and want to conclude the bases agreement with you. They are scared to death that you might leave the government before you get to sign the bases agreement!"

We are asked; So, you are against concluding the bases agreement?

The position of this magazine column is clear; We consider as nationally useful only an agreement that would have been concluded after tough Greek-American negotiations and not after feigned, weak and long dragged out Americo-American negotiations.

We believe that the negotiations must--and this is possible--be fully tied to the resolution of problems of national asphyxiation which the indifference and forbearance shown by our allies vis-a-vis the senseless demands by our neighbors to the east has condemned us.

We will write it a bit differently so that there might not be any misunderstanding:

We are, on the one hand, friends--and tested friends--of the Americans but for the safeguarding of our national interests we cannot rely on the interest and patriotism of every kind and shape of American but primarily on the patriotism of the Greeks.

Do we understand each other?

What we have written does not, of course, have today any more general value since it does not correspond to views of any of the Greek parties but expresses only my own personal evaluations.

For example, we do not know how the major government opposition party will in the long run confront the referendum comedy by which the people will be called on to approve, a posteriori and as an accomplished fact, an agreement covering many chapters that would have been negotiated, on the Greek side, by persons who in the past had lived under opportunistic banners.

However, regardless of what the major government opposition party finally does we will observe that neither a positive or negative vote will be of any value.

The bases issue will remain unsettled. The referendum's only result will be to increase--to multiply--the number of Greeks who follow, with some suspicion, the policy being exercised by the Americans vis-a-vis our country over the past few years. It has to be made known that the liberal segment of the population of our country does not tolerate having Americo-American schemes of that type of laughable referendum made at its expense.

We are very, very good friends of the Americans. But we are not so very much "little Americans!"

We have mentioned the word "little Americans" with the special meaning that that term implies in various "dealings" and "goings-on" taking place in the port of Piraeus and in neighboring alleys.



## PASOK Seen Imperiled

Athens KYRIAKATIKI ELEVHEROTYPIA in Greek 7 Jun 87 p 48

/Commentary by Panos Loukakos; "The Bases Negotiations a Delayed Action Bomb for PASOK"/

/Text/ On 12 June, the substantive phase of Greek-American talks on the future of the bases will begin in Reykjavik between Secretary of State Shultz and Minister of Foreign Affairs Papoulias. The other day, Friday, Prime Minister Andreas Papandreou met with American Under Secretary of State Edward Derwinski to discuss the bases issue primarily. It is therefore clear that a critical phase for Greek foreign policy begins this summer because, of course, negotiations that are scheduled to begin do not concern only Greek-American relations. In essence, they constitute a revamping of the Athens-Washington-Ankara triangle.

The recent Greek-Turkish crisis in the Aegean proved once again how thin balances are, balances that must be sustained and how careful the government must be in handling affairs. And yet, despite all of this, the first errors have already been committed. The government announced that it will conduct a referendum for the approval or not of the agreement. Thus, it automatically has converted an essentially foreign policy problem into a domestic policy one. A problem on which the Greek people will be called on to vote without knowing its essence and all its ramifications because, of course, there are very many details in Greek-American relations and Greek-Turkish relations linked to the latter that cannot be discussed publicly. Consequently, very few of those voting will know about what they are really voting.

The spark for converting a foreign policy problem into a domestic one was, of course, provided by the government with the referendum "fireworks." And it would have been fruitless for one to have expected that the major government opposition party would not have followed in its error. Information has already begun to "leak" from ND to newspapers friendly to it that it is possible that it may support a "no" vote in case where Mr Mitsotakis decides that the agreement, with which Mr Papandreou ends up does not safeguard Greek interests. This information is not without basis. Included in the planning of ND staffs there is at this time also the possibility that they might support a vote against the agreement so that by counting up ND and KKE votes to provide a definite conclusion against the agreement. Of course, this will not happen because ND favors the withdrawal of the bases but to ask for the withdrawal of the government in case the referendum proves to be negative for its proposal.

It is, therefore, clear that with the referendum the government placed a delayed action bomb in its foreign policy. It is even clearer that the major government opposition party will do all it can to have this bomb explode as soon as possible so that it might upset the government. In other words, while the question will be a withdrawal or maintenance of the bases, the voters will vote for the withdrawal or maintenance of PASOK in power. However, it cannot exercise a credible foreign policy under such terms and with a logic of this sort. Even more, the conversion of foreign problems into a subject of domestic quarrels presages many dangers.

If we want to talk with basic seriousness we have to point out what the withdrawal of the bases really means;

First of all, that through the appropriations of American military assistance the present correlation of forces between Greece and Turkey will be completely upset.

Secondly, that strategic control of the Aegean region will go over entirely to Turkey, exercised by way of the American military installations there.

Thirdly, that Greece will suffer asphyxiating economic warfare by way of the financing institutions that are influenced by American capital or simply by the State Department.

Fourthly, that as a result of all the preceeding paragraphs Turkish aggressiveness against Greece will intensify and perhaps assume a more dynamic shape.

Fifthly, that Greece will become diplomatically isolated from other west European countries that are directly influenced by Washington and that belong to the so-called "western defense" system.

If, therefore, a referendum were really to take place how is it possible to say publicly all of these self-evident truths so that the Greek people might know what the real facts of the referendum are? Even more, how is it possible to have them said by the PASOK government which for years now has nursed its followers with such slogans as "Out with the Bases of Death" and even when it signed the existing agreement in 1983 for their being kept it actually maintained that "the bases are leaving, the struggle now is justified."

In fact, there now begins a new adventure in foreign policy with unknown results. Once again tremendous national interests are risked at the altar of domestic petty politics. And the simple question is this: Have we solved many problems in these past few years so that we now have the luxury of opening new fronts?

These thoughts will perhaps echo strangely in leftist ears. But let it be shown with logical arguments and not with sloganeering that they are not accurate. Let it be shown what could be the alternate sources for the arming of the Greek armed forces. Let it be shown that the withdrawal of the American bases from Greece will not offer Turkey strategic control over the Aegean for which it has been fighting for years now. With arguments and specific proposals. Not with cheap sloganeering.

#### U.S. Urged to Understand Nation's Feelings

Athens I KATHIMERINI in Greek 28-29 Jun 87 p 9

/Editorial: "Difficult Negotiations"/

/Text/ Up to now, the government has confronted the American bases problem with so much insincerity and so many delusions that even when it tells the truth one hesitates in believing it and supporting it when it meets with difficulties in handling an issue of national importance and with far-reaching effects. Moreover,

with its frequent retractions and with its habit of weaving critical foreign issues into its partisan ambitions it has itself undermined and decreased its negotiating power and its trustworthiness.

Unfortunately, the worse that could happen to a negotiator happened: initially, it set forth the issue to be negotiated with erroneous and unrealistic conditions (the bases must be withdrawn). Later and under the pressure of events it gradually began to realize how different and how difficult reality is with its insurmountable needs. Thus, it reasonably created the impression that it is not fixed in its position, that it does not have goals, an impression that grants "the other side" almost complete initiative of movement and maneuver.

According to information, in the past few days the Americans, specifically on the day before the beginning of the preparatory talks on the bases issue, in a completely sudden manner and certainly not at all by chance, brought up "side" issues or not having any bearing on the bases negotiations. According to this same information, these issues are so skillfully chosen that even their mere mention would provoke, almost automatically, mass fear and psychosis in the entire western world to the detriment of vital interests--not, of course, of the government but of Greece and its people. Finally, mention is made that the United States, by exploiting basic mistakes and indigenous weaknesses of the Greek Government and by activating, at the appropriate moment, those levels it has at its disposal "at arm's reach," it seeks to shape an environment of "negotiating pressures" favorable to it so that it might, in advance, turn around any possible opposition or discourage any possible demands for trade-offs. Even more so because these trade-offs could provoke serious complications in relations and balances in a region of vital importance to the United States' international obligations.

The renegotiation of the old bases agreement--the one that is at issue because the newer 1983 agreement that supposedly "drove out the bases" merely postponed the final settlement--would have been one way or another and for any government whatsoever a difficult matter of delicate and careful handling. First of all because the old agreement had been concluded at about the time of the end of the civil war and in general conditions very different from the present ones. The new agreement cannot be a repetition of the old one. Greek interests, as they are shaped at present and after grievous experiences, impose adjustments that are neither easy nor automatically acceptable to "the other side." Secondly, because the renegotiation of the bases agreement essentially means also the renegotiation of the overall relations with the United States and, by extension, with the western world with which we are linked with so many ties and interests. Thirdly, because it directly concerns the defense fortification of Greece at a time and place where its territorial integrity is receiving direct and unconcealed threats.

These are the main dimensions of the problem and any Greek government--without this meaning an "indulgence" to the present government for basic errors and omissions--will have before it the difficult task to convince the United States that it is to its interests and to the interests of the western alliance to sincerely and realistically understand Greece's needs. Above all, to understand that it is very difficult--but also very dangerous for internal political stability--for a government that is elected in a democratic manner and is dependent on the opinion and vote of each citizen to move forward in contracting a one-sided defense agreement that leaves the country unprotected and undefended to the threats it is receiving.

The United States, as a leading power with international obligations, is particularly sensitive and, very often, reacts violently in the useful cultivation and promotion of an "anti-American feeling." It is absolutely right. As long as this feeling to the extent it exists and is perhaps cultivated in our country too--as, moreover, it exists and is cultivated in other countries--is neither a chance phenomenon nor a mere result of propaganda. The citizens of this country who elect their governments do not forget and cannot forget that the dramatic attrition of Hellenism, the snuffing out of democracy in 1967 and the attack on Cyprus are events that are, of course, due to our own faults but they also occurred with the complete "do-nothing responsibilities" of the United States and NATO vis-a-vis our country.

So, besides the bad and maladroit handling of affairs by Mr Papandreou's governments there is also one other fact: that no defense agreement has any value or viability if it does not ensure Greece's defense against any possible attack regardless of its origin.

#### KKE Views

Athens EMBISTEVTIKO GRAMMA in Greek 17 Jun 87 p 14

/Text/ Last Thursday, KKE Secretary General Kh. Florakis gave the first indications of the KKE's position on the referendum. Specifically, he said the following: "If a referendum is held, as PASOK proclaimed and with that objective, of course we will be against it. Now, as to how this against will be expressed we will talk about it in general terms. There are many ways to express your opposition. But it is very doubtful if the government will move forward and hold a referendum. I doubt that very much."

It is clear that the KKE is avoiding predetermining its refusal that could occur in two ways, abstention or a vote against. The reason is simple. A support of a "no" in advance would put the party in a very difficult position in the very unlikely case where ND would have decided for its own reasons to vote against the agreement (for example, because the agreement does not ensure a balance of forces in the Aegean). Then the KKE would either have to retract or receive attacks by PASOK for a "sacrilegious alliance" whose "only goal is the overturning of the government of change to the benefit of the Right."

It is also worth noting that Mr Florakis expressed doubts over whether or not the referendum would finally take place. We remind the readers of EMBISTEVTIKO GRAMMA that similar sharp doubts had also been expressed by Mr K. Mitsotakis.

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CSO: 3521/151



## DOUBTS EXPRESSED ON 'READINESS' AGAINST TURKISH ATTACK

Athens POLITIKA THEMATA in Greek 29 May-4 Jun 87 pp 25-27

/Text/ The minister of national defense proudly said the following believing that he convincingly answered "those ethnocidal elements" who dared question the effectiveness of the mobilization of the armed forces the day of the hypothetical Greek-Turkish war: the mobilization of our armed forces was impressive. In 30 hours the navy was in the Aegean. In 48 hours the army had completed its mobilization.

But who is the minister trying to fool? When everybody knows about the unimaginable speed of electronic warfare, parachute unit drops and intermediate range--we are not talking about intercontinental ones because they are of no concern here--missiles that implement our strategic plans in a matter of seconds, what can a defender expect from a fleet deployment within 30 hours? To Limnos, Lesbos, Khios, Samos, the Dodekanisos, if diversionary movements by the enemy originally led it elsewhere?

The minister was proud over this mobilization and over morale. When it was realized that this mobilization was almost useless because the enemy did not have any aggressive intentions, at least on that day, he attacked those who supported this view by bringing in such arguments as "in Evros Turkey's strategic presence is prevalent 100 percent. On the Asia Minor coasts permanently stationed forces are numerous and always ready to leap."

But since Turkey does not need to take any special measures to attack Greece, why do we not permanently maintain our alert status but instead on the day after the alert we return to our peaceful work?

So, can Turkey really attack Greece without any special concentration of landing forces, the fleet, army units or air movements and the minister of national defense wants us to believe this?

Thanks to our mobilization and the government's decisiveness we prevented a military surprise by Turkey at a time when its prime minister and foreign minister were outside of Turkey. Can a country undertake offensive operations when its leader is not there? And would not he at least hasten his return to his country to shut himself up with his associates in the operations center just as our own KYSEA /Government Council for National Defense/ had shut itself up to "meet continuously?"



In the face of this comic operation perhaps the government must be charged for exposing its defense plan to which it had recourse in a puppet-like manner on the day it gave battle to a non-existent or relaxed enemy?

Former Prime Minister G. Rallis, speaking on this matter in the Chamber of Deputies, said that to create sensations in your election patronage you ignored how sensitive international relations are and how dangerous it is for one to perform acrobatics with these matters."

The minister of national defense tried, in the slightest convincing manner, to defend the fiasco--this description came from the ND leader on 28 March. And by copying old methods he came close to charging the government's opponents as acting in an antinational manner!

#### A Few Special Thoughts

The Greek-Turkish crisis at the end of last March has once again become the topic of lively differences of opinion in the Chamber of Deputies since the government, through the prime minister and the minister of national defense, attempted to depict it as a day of decisive confrontation of Turkey's military offensive preparation, while the leader of the major government opposition party rebutted by saying that on that day no change in the deployment of the Turkish armed forces was noted.

We placed the matter before a high-ranking retired military man who made the following observations:

1. A military offensive operation, even on a small scale, for example, local exercises, presupposes a concentration of materiel and forces in preparatory offensive centers. Intelligence information on the above gets to the enemy by the following means: (a) existing legitimate intelligence channels (i.e. the diplomatic mission and army attache that are in every first class embassy diplomatic mission); (b) secret intelligence network; and (c) so-called electronic espionage.

Was there, however, any such intelligence information in this particular case? Was it cross-checked and coordinated? Nothing was announced--and it should not have been. The most probable, however, is that it did not exist.

Instead, that is instead of the existence of cross-checked intelligence information on the preparation of a manifest extended offensive operation, the prime minister described the fact that Turkish military forces with 80-100 percent readiness status were drawn up in battle array both in the Aegean as well as in Eastern Thraki and Cyprus.

The prime minister said the following on this matter:

"Since the opposition told us here that nothing moved, I am moving forward on military preparations. But what is to move? The First Army opposite Greek Thraki, the Second Army opposite Cyprus, the Fourth Army in the Aegean, opposite our islands. And now the readiness indicators of these military forces is between 80 and 100 percent. Those who have contact with the Ministry of

National Defense understand what it means to have 100 percent readiness or 80 percent. Only the Third Army is at the frontier with the Soviet Union and there the readiness indicator is under 50 percent.

"And yet, dear colleagues, the Aegean army includes 150,000 men, 200 helicopters, 100 transport aircraft, 150 landing craft and 400 plastic boats each with a capacity of 12 men. This is what Turkey now has in the Aegean. What kind of development must its military forces make when it is about 100 percent in readiness? Even more, what kind of argument is that? That means that we are pretending blindness."

Mr Mitsotakis observed the following:

"On the night of that critical day during which the Sismik was scheduled to enter the Aegean there was a Turkish gunboat in the southern Aegean. There was no other vessel present. And the prime minister told us that the deployment of the Turkish armed forces is such that Greece is constantly threatened. But if he really believed that then Greece would have to be on the alert on a permanent basis.

"What is certain, my colleagues, is that when all the Greek armed forces moved, the Turks, on the other side, did not move."

2. The minister of national defense said joyfully and full of pride that the movement of materiel and military forces had taken about 30 hours and the deployment of our naval forces in the Aegean had taken close to that time.

However, if the permanent presence of Turkey's military forces with 80-100 percent battle readiness is what the prime minister said what could have the forces that had been mobilized after 30 hours done? Against 150,000 men in the Aegean area alone, permanently stationed opposite the Greek islands, together with 300 helicopters, transport aircraft (for parachute jumps) and landing craft, what could have the fleet, spread out in the Aegean, done?

And what and where would the fleet forestall if we were to conjecture that the enemy was striking, for testing reasons and diversionary purposes, the Dodekanisos and then turned its main attention to Lesvos and Khios?

Is this readiness when, compared to the 3-4 minutes of national alert by the big powers to retaliate, we need 30 hours to react not offensively but passively, i.e. defense measures?

3. Did we perhaps, however, in the strange military show of strength that seized us, without there being any indication on and no information from the other side, reveal the overall mobilization plan of our national forces?

Perhaps the deployment of war vessels, the activation of airports, the supply centers, the approach routes, the speed in transporting materiel and military personnel and any other such operation were all recorded by the enemy on that strange day when the leadership deliberated and the people stormed and depleted the supermarkets.

Of course, it will be noted that mobilization plans proportionate to the extent of the danger differ on a case by case basis.

The matter of the timely and how we understand mobilization on the day of the Greek-Turkish crisis is a major national matter. And it must be answered clearly by the military men themselves. And military secrets need not be quoted because nothing is more necessary than to have the people maintain their national convictions high.

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CSO: 3521/151

## DETAILS ON DEFENSE ASSISTANCE FROM FRG

Athens I KATHIMERINI in Greek 27 Jun 87 p 9

/Article by Kosta Iordanidis/

/Text/ Bonn's close cooperation with Ankara on defense matters is one of the reasons that often produces some friction in Greek-German relations with the result that the significance of defense ties between Greece and the FRG is overlooked. These ties were mentioned and stressed by German President Richard von Weizsacker the other day in his reply to a speech by President Kh. Sartzetakis. The latter also referred to the great cooperation between the two countries.

In the view of military observers, German defense assistance to Greece, provided within the context of NATO, is substantial.

According to altogether reliable sources, the tenth military assistance "package" to Greece that was approved last year by the German Government provides for 54.4 million marks for the purchase of new defense materiel, 14 million marks for the delivery of surplus German armed forces materiel and 1.6 million marks for covering additional expenditures.

Of the appropriations destined for the purchase of new defense materiel, the Greek army will absorb a total of 15.17 million marks, the navy 13 million marks and the air force 11.7 million marks.

On the basis of existing data, the sums relating to the army are broken down as follows:

1. A sum of 4.7 million marks for maintenance and purchase of training materials for the Milan anti-tank systems.
2. A sum of 3.67 million marks for Leopard 1 ARV battle tanks (refers only to the system chassis).
3. A sum of 6.3 million marks for the purchase of two launchers, 34 missiles and 50 Mira night-time targeting systems for the Milan anti-tank systems.
4. A sum of 500,000 marks for the purchase of various types of vehicle spare parts.

The overall amount of German military assistance to the navy for the procurement of new materiel comes to 13 million marks and is broken down as follows:

1. A sum of 6.2 million marks for the procurement of batteries to be used on submarines.
2. A sum of 750,000 for the procurement of Siemens teleprinters.
3. A sum of 1.5 million marks for the procurement of three diesel engines from the MTU Company that will be installed on rapid speed naval vessels.
4. A sum of 500,000 marks to be put aside for modernization of torpedo work shops operating in Greece.

The smallest percentage of German aid is absorbed by the air force (11.7 million marks). These funds are granted for the modernization of various work shops and for the promotion of the Mercury program that has to do with the ASR-B1 radar.

The second segment of the aid program relates to the granting of surplus German military materiel to the Greek armed forces.

According to data published in the most reliable military journal MILITARY TECHNOLOGY, 110 M-48-A2 battle tanks have already been delivered to the army but some delay has been noted in the delivery of 100 more tanks of the same type due to the needs of the Germany army. Also, the loan agreement for three Leopard 1 A3 battle tanks has been extended to 31 December 1987.

Materiel that concerns the air force includes the delivery of five training aircraft and 10 F-104 reconnaissance fighter aircraft. Within the framework of the Venus program, the Greek air force has already received delivery of two Dornier Do 28-D2 aircraft, valued at 46 million marks, as part of the two previous German aid packages.

Information, published from time to time by foreign military journals, relates that, as evidenced from internal documents of the German Ministry of Defense, the military aid program relates all the more to the delivery mainly of defense materiel and services to these three branches of the armed forces rather than the development of the Greek military aircraft industry as was often the case in the past.

On the other hand, Germany's cooperation with Turkey constitutes a productive way to establish a self-sufficient Turkish defense industry. According to existing data, Germany participates partially or fully in a series of Turkish defense programs of which the following are the most important:

1. Modernization of the Turkish ports of Golcuk and Taskizak.
2. Establishment of fire control systems repair facilities in Yenikent.



3. Establishment of two battle tank repair facilities in Kayseri and Arifiye, as well as the establishment of a plant for the production of M-48 tank spare parts and the granting of a permit for the production of M-48 diesel engines.
4. Expansion of an optical instruments production unit in Zeiss /as published/.
5. Establishment of a unit for the production of 105 mm artillery tubes at the Kirikale installations.
6. Establishment of a steel plant by the German Vereinigte Edlastahwerke company.
7. Delivery of equipment for the establishment of two units for repair of Rolls Royce engines at Eskisehir.

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## EAV TO MANUFACTURE 'MATRA' MISSILES' PARTS

Athens TA NEA in Greek 5 Jun 87 p 4

/Text/ EAV /Greek Aircraft Industry/ is going to manufacture "Matra" missile parts used by Mirage 200 aircraft.

This form of cooperation comes within the context of benefiting from the offsets agreement that the French firm offered in the purchase agreement for the 40 Mirage 2000 Greece purchased with its own weapons systems.

A team of EAV technicians that has already been formed will leave for France in a matter of days to study close up the "Matra" missile program and production. There are also technicians in France to look into Mirage engines.

EAV's experience in the missile field relates not only to calibration of instruments and maintenance of guided missiles but also to planning since the branch involved has developed and manufactured its own guided weapons systems.

The manufacture of these missile parts in Greece will provide employment opportunities in EAV which dynamically comes within the sphere of the offsets agreement not only from the purchase of the Mirage aircraft but also the American F-16.

For the manufacture of F-16 parts, EAV estimates that it will need 800 new employees (technicians), while it will also expand its installations and will revamp its organization. It is characteristic that one of the F-16 parts that General Dynamic had undertaken to manufacture was given over to only one other sub-manufacturer.

At the same time, EAV continues its repair and manufacturing work, while very shortly it will have ready plans for a light aircraft that it is going to build. It has already begun providing the air force with the unmanned reconnaissance aircraft "Pegasos" that it planned together with KETA /Aviation Research and Technology Center/.

In a recent talk with foreign correspondents, Mr P. Fotilas, chairman of the firm, referred to the DICA /Defense, Industrial and Commercial Agreement/ concerning which he said that it will be implemented regardless of whether or not the bases agreement is terminated.

At any rate, one of EAV's headaches is its structural capital problem. The firm requests from its stockholders (state) the capital that it did not put up during its establishment. Officers of the firm say, "Borrowing will mean tremendous burdens."

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## BRIEFS

COMPULSORY BORDER AREAS SERVICE--From now on soldiers will have to serve their first 14 months of service in units stationed along the Evros River or the islands. According to information, the order was signed by Lt Gen St. Vellidis, GES /Army General Staff/ chief. Those who had their 2-month basic training in border region training centers are exempt from this particular order. Instead, they will serve in units stationed along the Evros or the islands for a period of 12 months. This measure was taken following instructions of Mr Kharalambopoulos, deputy prime minister and minister of national defense, for the purpose of providing reinforcements for operational units. Other measures taken for the same purpose are restrictions on student and agricultural permits and the reassignment to civilian personnel of those jobs done by soldiers up to now (staff work, services, etc.) /Text/ /Athens AKROPOLIS in Greek 14 Jun 87 pp 1, 12/ 5671

EAV LOSSES--As a result of a 1-month work stoppage at the auxiliary engine testing center the air force program suffered a setback and EAV /Greek Aircraft Industry/ suffered more than 300 million drachmas in losses. As ND Deputy Palaiokrassas charged, in an interpellation in the Chamber of Deputies, the cause for all the above was indifference and a series of omissions with regard to the timely procurement of necessary fuel for the testing center. Mr Palaiokrassas mentioned that in order to pinpoint those responsible EAV's management "choked on a mosquito and swallowed a camel." It searched for and found a scapegoat in the person of a low-level accountant's assistant who had very little responsibility. On the other hand, the person really responsible, namely Anastasios Pantazis, the supply manager, was rewarded with the position of manager of the EAV plant, a position he was recently given for unknown services rendered PASOK, according to Mr Palaiokrassas. The deputy added that a written request had been made by the EAV aircraft engine division to the supply unit as early as 11 February 1985 for the supply of the necessary 600 barrels of fuel for the normal operation of the testing center. /Text/ /Athens AKROPOLIS in Greek 11 Jun 87 p 20/ 5671

CSO: 3521/148

## MINISTER COMMENTS ON FINAL DESTINATION OF ARMS EXPORTS

Madrid TIEMPO in Spanish 22-28 Jun 87 pp 17-19

[Interview with Minister of Industry Luis Carlos Croissier by Nativel Preciado; date and place not given]

[Excerpts] At 36, Luis Carlos Croissier is the youngest cabinet minister. With his office at the Ministry of Industry and Energy as his refuge, he lets insults and stones cast at Solchaga, the target of all the anger, pass him by. Croissier, a politician with great dialectical skill, is regarded by the opposition as an expert manipulator. The official responsible for the export of arms, the industrial conversion and so many other things, he goes through life without creating conflict. He has excellent relations with the Ministry of Defense, Solchaga nominated him, and he enjoys esteem in the UGT.

[Question] How do you succeed in going unnoticed in the midst of so much social conflict?

[Answer] I don't know.

[Question] When Solchaga was in this ministry, he angered the workers. Why isn't the same true for you? Is it because you are more skillful or more cautious, or because in reality, you do not put yourself forward so much?

[Answer] To tell you the truth, I don't know. There are people who at a given moment become the protagonists in or identify externally with given problems. In fact, I have seen many protests here on the subject of the reconversion, but they have all been against the ministry more than against the minister. I could not tell you what the reasons are.

[Question] Don't you see some major differences between the PSOE, which was in the opposition when it criticized the weapons policy, and stood with the trade unions in all the conflicts, and that on the government's side now?

[Answer] When in the opposition, one has no concept of the complexity of the problems, which are viewed from far away. If one day we are back in the opposition, we would not be able to analyze things in the same way. But there has been no drastic change. Not only would this be unacceptable from an ethical point of view, but it would not even be politically useful.



[Question] When you came to this office and saw that the Spanish weapons industry was experiencing major losses, you decided to encourage exports, without too many scruples.

[Answer] That is not true. This is the government which has decided to place an embargo on certain countries, the economic cost it means to our industries notwithstanding. I believe that the best means of defending this country, from the point of view of a national defense policy and a non-nuclear option, involves promoting industry with a certain technological autonomy. This is what seems to me to be progressive.

[Question] Does promoting Spanish industry mean turning a blind eye to arms exports?

[Answer] No one here turns a blind eye. We cannot change the world nor can we control what others do. We limit ourselves to exploiting the potential of a policy. If the United States has problems in controlling transfers of technology to the Eastern countries, what can a country of the size of Spain do to control arms sales? We have placed an embargo on the countries which are at war, such as Iran and Iraq, and on dictatorships such as that in Chile.

[Question] It appears that Chile, Iran and Iraq are continuing to receive arms manufactured in Spain.

[Answer] I do not know that. What I am saying is that since Spain decided to place an embargo on Chile, no new contracts have been signed with that country. With regard to Iran or Iraq, I say that it is absolutely impossible to control the final consequences, the end destination, of our war materiel. This is true of any country in the world, and in none of them is there a polemic on this subject such as there is in Spain. The polemics in Europe have developed about direct sale operations, and even violations of the legislation--something which has not occurred in Spain.

[Question] What was the purpose of the visit paid by Chilean General Matthei a few weeks ago?

[Answer] I have no information about this visit. This gentleman visited Spain on a purely private basis.

[Question] It appears that he talked with CASA officials.

[Answer] I do not know that, but I can assure you that at this time, no new CASA contract with Chile is in the negotiation stage.

[Question] Your appearance before the Congress concerning the arms sales was termed by one deputy "an example of disinformation, poisoning thinking and manipulation."

[Answer] This seems barbarous to me. My speech lasted an hour and a half, and I gave information on the figures pertaining to production, national sales, exports, relations with the countries to which exports were made, and the government criteria for authorizations and embargos. I answered all the

questions. If this is disinformation, may God be my witness. I very much doubt that more information has been provided in any European country. Here we have gone to the limit of what is reasonable.

[Question] Have you found yourselves obliged to deal with individuals of doubtful respectability in order to obtain good arms sales contracts?

[Answer] The government does not deal with middlemen. Our only role is to authorize or refuse to authorize applications for commercial transactions. The rest is in the hands of the enterprises, be they public or private.

[Question] What role has Kashogy played as an intermediary?

[Answer] Kashogy was involved in a certain type of operations with the Middle East through a mixed enterprise, Alcantara, which was used to channel certain types of contracts.

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CSO: 3548/90

## GOVERNMENT NO LONGER PARTNER IN ARMS EXPORT FIRM

Madrid CAMBIO 16 in Spanish 8 Jun 87 pp 62-66

[Article by Ernesto Ekaizer]

[Excerpts] Within the framework of the polemic on Spanish arms sales to Iran and Iraq, the countries waging the long war in the Gulf region, the National Institute of Industry (INI) has recently released the details of the planned dissolution of an enterprise known as Alcantara Iberian Exports, a joint venture company in which that institute and Foreign Trade Development (FOCOEX) are involved with Triad International, the enterprise of the Saudi magnate Adnan Kashogy. Is the government taking this opportunity to break off relations with Kashogy now that the arms export scandal is out in the open? Or is it simply that Kashogy, with his image damaged now, is a hot potato?

If the sales of arms which Spain may have made to Iraq and Iran, on which there has been an embargo since early 1983, are measured in international terms, they are relatively insignificant.

European industrial sources estimate that the two countries in the Persian Gulf have purchased war materiel to date totaling some \$70 million in all (about 9 billion pesetas). And the most generous estimates do not place Spanish sales at much more than \$200 million (a figure which, even at the highest peseta-dollar rate, is less than 30 billion pesetas).

However, the systematic refusal of the Spanish authorities to admit to the reality has placed emphasis on a matter which in numerical terms might be secondary. The exports of Spanish arms, ammunition and explosives above all, has been a part of a world trend nurtured, as was revealed by Irangate, by the Reagan administration itself.

The fact is that the Spanish socialist government, just like the neutral governments in Sweden and Austria, has turned a blind eye to the export flow in recent years.

Unlike those others, the Spanish government has even denied the evidence, and has opposed the investigations which are indeed being pursued in Austria and Sweden, for example.

This arrogant denial has begun to weaken, little by little, as the authorities have realized the need to maintain the military industry by means of exports.

In the coming days, however, the government will take steps with a view to dissolving an enterprise which has caused a certain irritation and which in fact has brought in no business recently--Alcantara Iberian Exports.

This firm was established toward the end of the 1960s, under the Democratic Center Union (UCD) government. On 23 November 1977, to be precise, the Council of Ministers authorized the INI to become a partner "in a foreign trade company for the purpose of increasing Spanish exports to the Arab countries." In the era when Jose Miguel de la Rica was with the INI, finally, Alcantara was set up, with headquarters on Cyprus, for tax reasons, and with an office in Madrid.

The management of the company was the responsibility, strictly speaking, of Adnan Kashogy, who in those days was generally assumed to be the richest man in the world. However, Kashogy sold the Alcantara idea on the basis of his excellent relations with the Saudi royal family. The target market for Alcantara was Saudi Arabia, and its products would be weapons, military vehicles and ammunition. All of these things would, with the passage of time, prove to be rather problematical.

The point of departure and arrival for Alcantara was the contract for the sale of Pegasus military vehicles to Egypt, an operation which involved \$1 billion in 1980. However, the total ENASA sales to the Egyptian government came in the end to about half that, which in any case was still a pretty figure--about \$500 million, a part of it remaining to be collected still today. This was excellent business for Kashogy, because obviously the cut he received as a middleman, in line with the market prices, was a sizable one, in view of the volume of the contract.

Between 1980 and 1983, for all practical purposes, Kashogy used his contacts to channel sizable profits to Alcantara, which year after year were to some extent shared by the partners and also used to establish reserves.

Adnan Kashogy's skill made it possible to sell National Autobus Enterprise (ENASA) buses, on a contract with a sad outcome for Sudan, Santa Barbara National Enterprise ammunition, tugboats, Santana vehicles and other equipment. There were also sales of Aeronautical Constructions (CASA) planes.

A glance at the company accounts suggests that 1984 was the last prosperous year for Alcantara, which as of that time was still being managed by the brother-in-law of Kashogy, Abdelraman El Hasir. The commissions earned by Alcantara in 1984 at market prices totaled \$34 million, a substantial figure. But the following year, 1985, in which the total was \$7.6 million, the decline began. Finally, the books for 1986 show commissions of about \$10 million. But the truth is that there are no longer any transactions.

The departure of El Hasir in 1985 coincided in fact with the end of company operations. Although El Hasir had married one of Kashogy's sisters, Samira,

they had separated. Later, the magnate's sister died. Gradually, Alcantara Iberian Exports reduced the size of its office in Spain, which was left in the hands of Mohamed Crea, a Lebanese, who had one secretary and a switchboard operator.

Two simultaneous processes exerted an influence on the Alcantara "freeze." The first was the decline in oil prices, which led to a drastic drop in exports of weapons to the Near East, and the second was the increasing difficulties Adnan Kashogy himself was having. Saudi Arabia, the target of Alcantara's exports, was, strictly speaking, for one reason or another, an ever dwindling market from the time the company was established until the end of the 1960s.

Kashogy, however, consistently showed great interest in the prospects of the company. This could be seen in the fact that he regularly attended its board meetings, whether they were held in Madrid, Geneva or Paris. And it was revealed by the plans he routinely drafted for the future.

At the last Alcantara board meeting precisely, which was held at the Hotel Villamagna in Madrid, Kashogy learned from the officials of the INI and FOCOEX, Roberto Coniat and German Calvillo, that the coming discussion on the future of the company would be interesting. In fact, the seeds for its imminent dissolution had been sown. Suffering from personal financial problems and his role in Irangate, Kashogy was not surprised, but neither did he give his approval. This would be discussed later on.

"Adnan will agree, I have no doubt. Everyone paints him as a weapons merchant, but he is a real gentleman. To date, this company has operated on the basis of an agreement, and if it ceases to operate, this will be based on an agreement too. The truth is that for a year and a half or more now we have been doing nothing. It was agreed at the last Alcantara board meeting to reduce activity to a minimum," the man who heads the company today, a Lebanese living in Madrid, whose office is located in premises in Castellana, told this periodical.

Since these premises are company property, they will be sold when the dissolution of the company is approved this coming June at the general assembly meeting to be convoked by Adnan Kashogy or his representative, Jim Miur of Triad, a company which is a partner along with the INI and FOCOEX.

The Alcantara profits, then, were considerable throughout the years of substantial activity. "There is a myth that Kashogy collected the largest market commissions. This is not true," a government source consulted said. "This man had many interests in Spain, where a large part of his social life has taken place, and obviously, he also made money," this source added.

It is true that Alcantara is not among the companies that kept the war in the Gulf going, in view of the fact that neither the exports nor the countries to which they were sold during the company's operational years had anything to do with Iran and Iraq.



Observers differ on this point. But in any case, the supplies which came from Spain were marginal. Kashogy financed exports to Iran, as has been revealed in the United States, but not exports from Spain.

Where the exports to the Gulf countries are concerned, some sources believe that domestic industrial concerns, which saw Kashogy as a rival, very probably used other middlemen to sell to Iran and Iraq. "The sales of war materiel seem to me beyond all debate. And this is true--ammunition and explosives were mainly involved, because neither Iran or Iraq would have had confidence in Spanish guns," another expert consulted said.

Spanish weapons exports experienced the full impact of the crisis in the oil-producing countries, beginning in early 1986. At the end of last year, sales came to about 156 billion pesetas, as compared to 200 billion 3 years earlier. The fact that the sector employed about 36,000 individuals in all, and the fact that the public enterprises were losing about 35 billion pesetas annually, explain the socialist pragmatism.

"The worst thing is that they denied it and pretended to be proceeding on the fictitious basis that they were respecting the embargo," a banker involved in this business says. And the government official admits that "The truth is that with regard to guidelines, we have serious problems. In countries such as South Africa, from which banks and international industrial concerns have withdrawn, we do not know what to do."

The insistence on continuing leftist-oriented talk is gradually dwindling. "Need has an ugly face," a socialist cadre in whose view the export of weapons "cannot be separated from the fact that we live in a competitive society," reiterates. Now the official apparatus is harping on the figures on idle industrial capacity and the urgent need to export beyond the "ideological frontiers."

Given this scenario, the dissolution of Alcantara Iberian Exports is a low-cost operation, since it involves a company with a low level of activities. However, it allows distancing from an individual who does little for the socialists, while on the other hand he is a cause of irritation and criticism.

Now we will have to see what Kashogy says, although we are assured that in the end, there will be no serious difficulties at the meeting to be held in the coming weeks. This magnate, who is quite busy with other activities, will predictably favor a gentlemen's agreement.

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CSO: 3548/90

## ARMS INDUSTRY EXPERIENCING DIFFICULTY, SHORT OF CUSTOMERS

Madrid TIEMPO in Spanish 8-14 Jun 87 pp 64-72

[Article by Juan Cacicedo]

[Excerpts] The Spanish arms industry exported war materiel worth 52 billion pesetas last year. This reflected a substantial reduction from the preceding year's 86 billion, despite the fact that the government showed less interest than ever in checking on exports of weapons to countries at war or those where human rights are not respected.

About 80 percent of these exports were provided by five public enterprises, which taken together, set a historic record for losses. Aeronautical Constructions (CASA), Santa Barbara, Bazan and the ENASA together lost 59 billion pesetas, although in the case of the ENASA, its military division accounts for only a fourth of its operations.

The government recognizes that arms exports will be a basic element in the success of this sector in putting its present crisis behind it. Perhaps for this reason, the executive branch deemed it desirable, with the deterioration of the situation last year, to relax checks on the final destination of the arms exported.

The problem lies in the fact that, as sources in that sector themselves admit, "It is precisely the countries at war which are negotiating major purchase contracts, and they are the only ones which pay cash, because for them these are goods of first necessity."

What Spain offers in the category termed "special materials" in the official jargon, ranging from combat aircraft like the C-101 produced by CASA to machine guns or artillery like that manufactured by Santa Barbara, covers a large part of the needs of the countries in these special circumstances.

While the government is supposedly stepping up controls on exports, the businessmen in the armaments sector are complaining that they lack facilities for the financing of their exports. What they want is for the government to provide special financing lines for the export of their products, as was done in the equipment goods and naval construction sector.

Currently, more than 70 percent of Spain's exports of arms and military materiel is supported by government credit channeled through the Foreign Bank of Spain. The proceeds of the Aid to Development Fund (FAD) are among the sources.

Apart from the Foreign Bank of Spain, which is headed by Miguel Boyer, and which has provided no figures in this connection, weapons exports are financed by private banks such as the Banks of Bilbao, Biscay, Hispano Americano and Central. All of these bodies finance the export of vessels, planes, land vehicles and heavy equipment on installment terms over a period of from 5 to 12 years, depending on the size of the transaction.

#### A Black Year

In recent years, the foreign banks operating in Spain have entered into the business of financing weapons exports as a part of their strategy of gradually securing their quota of the market.

At the present time, foreign bodies are only financing the exports of sidearms, ammunition and small vehicles. The banks most active in these operations include Citibank, Continental Illinois, National Bank and Trust Company of Chicago, Bank of America, Aresbank, Manufacturers' Hanover Trust Company and Deutsche Bank A. G.

When certain ministerial representatives ask them about arms exports to countries such as Chile, their response is usually to provide detailed figures on the number of families in Spain whose livelihood depends on the military industry. According to the most recent figures provided by Luis Carlos Croissier, more than 30,000 individuals are employed in the weapons industry in Spain. The number of workers in this sector has declined since 1983, when the total was 36,500 individuals. During that fiscal year, sales totaled 192 billion pesetas, but they had dropped to 156 billion last year.

In Spain, according to the figures provided by the minister, 1.6 percent of the workers in the country are employed in the war industries, while the figure for the United Kingdom is 7.2 percent, that for France 6.3 and that for the FRG 3.1 percent.

According to these same figures, arms production in Spain accounts for 3.3 percent of the domestic total, as compared to 10.9 percent for the United Kingdom, 11.8 percent for France and 5.2 percent for Italy.

Last year was a black one for the Spanish war materiel industry. CASA, the main enterprise in this sector, showed a record loss of 8,597,000,000 pesetas, a figure totally unexpected when the year began. The year before, CASA had achieved a return to the path of profits, with a balance of 1,639,000,000 pesetas.

This disastrous year for CASA culminated in the prompt dismissal of its president, Fernando de Caralt, who was replaced by Javier Alvarez Vara, one of the general directors of the National Institute of Industry, and a man who enjoys the trust of Luis Carlos Croissier.

The reasons the enterprise put forth to explain CASA's sizable losses had to do with the dollar decline, which accounted for almost 50 percent of the debit figure. Another of the reasons was the poor management of the CASA-USA branch, resulting in the loss of a number of clients who had leased their aircraft to the company. The new president of CASA has plans to keep the American branch in operation, although its structure and expenditures will be reduced.

What Alvarez Vara does not plan within the measures to make the company viable is a reduction in the CASA personnel. It is his view that the problem of the firm is not the lack of demand but "attracting customers." The enterprise seems to need a more rational organization, because in the opinion of its president, "We are rejecting contracts because it is not of interest to us to engage in activity for its own sake." CASA will still have, according to the most recent estimates, "2 more years with losses."

The other enterprise with runaway losses in 1986 was Santa Barbara, which has just launched a reorganization plan which will involve the loss of 2,500 jobs, almost half of the personnel roster, which totals 5,700 individuals at present.

Last year Santa Barbara lost 13,759,000,000, as compared to 7,560,000,000 the preceding year. Bazan, which is also in the process of reorganizing, maintained its level of loss at 12,714,000,000 pesetas. These three companies, which account for 75 percent of the products invoiced by the sector, caused the war industry in Spain to lose the battle of debit figures last year.

Battles Lost  
(in millions of pesetas)

Enterprise	Year	Income	Exports	Balance
CASA	1984	43,365	36,741	-270
	1985	47,251	34,927	1,639
	1986	48,625	32,520	-8,597
Santa Barbara	1984	24,095	14,084	-3,636
	1985	18,634	6,661	-7,516
	1986	14,502	2,657	-13,749
Bazan	1984	76,896	28,309	-12,717
	1985	64,384	4,581	-13,751
	1986	52,627	3,061	-12,714
ENASA *	1984	63,956	21,122	-6,256
	1985	63,032	12,970	-16,973
	1986	76,151	10,703	-23,976

\* Its military division accounts for approximately one fourth of the operations of the ENASA.

5157

CSO: 3548/90

## NEW GOVERNMENT'S FINANCE MINISTRY REVISES PROGNOSIS DOWNWARD

Helsinki HUFVUDSTADSBLADET in Swedish 11 Jun 87 p 13

[Article by Patricia Winckelmann-Zilliacus]

[Text] There has been a turn for the worse in the basic conditions for conducting economic policy according to plans outlined earlier. Therefore in its latest survey of state finances and the national economy up to 1992 the Finance Ministry has had to lower some economic goals that were set in the survey that was issued 2 years ago.

The figures for gross tax levels and the state's net foreign debt have both been revised in the current survey.

The fact that Finance Ministry Director General Pertti Sorsa started off the press conference on the ministry's economic forecast by pointing out where the previous survey had gone wrong shows that there is a risk that this year's future predictions will also prove to be erroneous.

Sorsa called the economic survey an economic policy primer. It provides some indications of the ministry's economic philosophy during the next 5-year period. The estimated goal is an average growth of 3 percent a year in the gross national product. Unemployment should be no higher than 4.75 percent in 1992 and it is hoped that the trade balance will be at the break-even point.

#### Several Risks

These figures are based on the assumption that production in the western industrial countries will increase by an average of 2.5 percent annually. Increasing dependence on foreign economic developments is the first risk factor that could upset the ministry's predictions.

"If growth in the OECD countries is only 2 percent a year on the average, it will mean a growth rate of 2.5 percent here and higher unemployment, 5.5 percent a year," Pertti Sorsa warned. In this situation the balance of trade deficit would be 8 billion marks, in other words we would have a hard time selling our export products.



But Sorsa thinks the most serious threat to our economy is that the world market prices for our most important export products, first and foremost wood products, will fall drastically, due to the decline of the dollar, for example. If export prices decline steadily by an average of 3 percent a year and our own production costs do not decline correspondingly, it will have a negative effect on our trade balance. A tight economic policy would raise interest rates and the annual unemployment rate would be 6 percent. Sorsa again appealed to the labor market organizations to show restraint in making future wage demands.

"There is a possibility that we can cope with the pessimistic model if it becomes a reality. The labor market has shown in the past that it is willing to assume responsibility in a pinch," Sorsa pointed out.

#### Dependent on Main Sectors

The plan assumes that growth will be considerably more rapid in the main branches, wood manufacturing and the metal industry, than overall economic growth.

This calls for the development of production conditions, the absence of problems on the market for wood products, a very moderate development in the price for standing timber and ensuring the availability of electric power.

The Finance Ministry stressed that the key tasks of economic policy will be to keep the trade balance in equilibrium and to curb inflation. It is increasingly important for domestic investment costs to adjust rapidly to world market prices in order to maintain production and employment.

The development plan assumes that the international value of the Finnish mark will remain stable. This means that Finland cannot afford failure with regard to curbing inflation. Income policy must stick closely to the increases provided by wage margins, especially in the sectors that are vulnerable to foreign competition.

#### Improved Labor Services Needed

Internationalization and technological development call for a substantial improvement in labor services during the next 5-year period. Housing must be easier to get and educational opportunities, including adult education programs, should be expanded according to the plan. If these tasks are accomplished 40,000 new jobs can be created by 1992. Unemployment will then decline to 4.75 percent, the ministry estimates.

The planned tax reforms must be implemented to prevent the public sector's financing balance from deteriorating. This should counteract the unbalanced allocation of resources, economic inefficiency and sensitivity to inflation. This calls for lowering marginal taxes, taxing all income uniformly and reducing the number of deductions, the Finance Ministry stressed.

More care should be taken to adjust public spending to the growth of the national economy than in the past and spending that facilitates structural change should be proportionally larger. This mainly involves research, education, labor services and certain investments in basic structures.

#### Curting Farm Production

The Finance Ministry feels it is necessary to cut agricultural production because international trade in agricultural products is slowing down. It is also necessary in order to reduce state spending.

Reducing surplus production would involve big but not excessive adjustment problems, the ministry said.

If production is cut by approximately 10 percent it is estimated that 18,000 jobs will be lost. The plan assumes that these workers can retire.

The Finance Ministry stressed that the problem of how to use the export subsidies that are saved should be given careful consideration. This money can be used among other things to ease the farm employment problem and to develop rural areas. Increased support for forest management can also ease the adjustment problems, according to the plan.

The Finance Ministry's plan for 1988-1992 has not been discussed by the government. However the studies on which the plan is based were used as background material when the new government program was being discussed.

6578

CSO: 3650/171

## SOVIET REPORTS SEEN BOOSTING TRADE OPPORTUNITIES

Helsinki HUFVUDSTADSBLADET in Swedish 11 Jun 87 p 13

[Text] Within the next few years the reforms that are taking place in the Soviet Union will lead to substantial changes in the trade environment in which Finnish trade with the East operates, according to Kauko Sipponen, head of the Business Delegation.

The Soviet Union is acquiring a socialist market economy that contains both big risks and big opportunities. Within 10 years the Soviet market will be entirely different than it is today, Sipponen said at a seminar in Helsinki Wednesday that was arranged by the Business Delegation.

"It is more open and dynamic and it requires much more skill," he said and urged Finnish businesses to start working on the basis of a 10-year policy.

What is done today can eventually pay off in the form of economic success. However the things that are not done now may prove impossible to accomplish in the future, Sipponen stressed.

In his view Finns should stop dividing the market into East and West markets and trade into trade with the East and trade with the West. Finns should be able to operate all over Europe on the basis of the same expertise, efforts and conditions.

"This also applies to small businesses that will find entirely new opportunities opening up for them," Sipponen said.

## Finns as Consultants

The positions Finns have attained in Soviet trade, in Sipponen's opinion, have made the business sector so rigid that it has not been sufficiently enterprising so far. He stressed the need for individual activity so that Finns can create an international profile for themselves as experts on the Soviet market.

"If foreign competition starts to be a threat, why not seek cooperation partners? We would have something to offer them, starting with our western neighbors," Sipponen said.

He also suggested that Finns could serve as consultants on trade with the Soviet Union. Unless steps are taken quickly, Finnish passivity can reduce the advantage we still have today compared to other countries, he warned.

Sipponen also pointed out that Finns have had an opportunity to keep up with the changes in Soviet society at very close range.

6578

CSO: 3650/171

## REASON FOR EXISTENCE OF WIDESPREAD PARALLEL ECONOMY

Athens I KATHIMERINI in Greek 30 Jun 87 pp 1, 3

/Article by Takis Drakatos/

/Text/ The parallel economy in Greece is estimated at around 30 percent of the regular economy (the one that is recorded) and, on the basis of the above percentage, comes to 1.500 billion drachmas, given the fact that the gross national product, according to state statistical data, amounted to 4.797 billion drachmas in 1986.

An evaluation of the size and effects of the parallel economy was made by Athens University Prof P.G. Pavlopoulos in a book published by the Institute of Economic and Industrial Research (IOVE).

In a book presentation ceremony yesterday by the author and Mr Dim. P. Marinopoulos, IOVE president, the following facts were mentioned:

1. Greece must be included among those countries with a rather large parallel economy since the "true" domestic product was found to be about 30 percent greater than the one recorded, namely the official one.
2. The per capita gross domestic product in 1984 appears to surpass 3,800 dollars compared to 2,980 dollars that official figures imply.
3. The parallel economy in various production areas fluctuates from a strikingly high 90.9 percent of the registered product (housing) to a low of 15.1 percent (processing). The breakdown in various production branches is as follows:  
  
(1) Housing, 90.9 percent; (2) construction, 71.1 percent; (3) various services, 64.9 percent; (4) health and education, 30.1 percent; (5) transportation and communications, 29.7 percent; (6) commerce, 28.8 percent; and (7) processing, 15.1 percent.

Views expressed during the discussion with economic editors on the causes of the parallel economy were significant. Specifically, most maintained that two factors were the cause for the increase in the parallel economy:

1. The unusually high tax rate on personal income. (Mr Pavlopoulos mentioned in his book that in 1984 the same real income was taxed three to four times more compared to 1972).



2. The excessive expansion of the state and the tremendous cost involved in the state bureaucratic process. In his book, Mr Pavlopoulos mentions the following:

"The need for a serious reexamination of the social insurance-welfare system on the one hand and the tax system on the other. The social insurance-welfare system favors the development of the parallel economy because of the flexibility the granting of pensions provides. On the other hand, the tax system implacably strikes at honest people since their being hit with regular and excise taxes surpasses 40-50 percent of their income. A radical reexamination of the tax structure is therefore socially and financially imperative. The FPA /Value Added Tax/ must be expanded and gradually increased so that it might replace at least half of the personal income tax and a big percentage (perhaps 30 percent) of income tax on companies."

3. If the biggest part of the parallel economy has returned to legality with the "rationalization" of the inhuman tax coefficients it is estimated that with a 20 percent tax percentage the state will have 260 billion drachmas. This is so because the entire parallel economy percentage cannot be eliminated even if the income tax goes down to zero, given the fact that there are also illegal activities present. This occurs in all world economies. In Sweden, the parallel economy is 13.2 percent.

The more taxation is crushing the more individuals are accepting the danger of being penalized for tax evasion. The cure necessary is to have the parallel economy become unprofitable (in other words, a big danger for small benefits). As Mr Pavlopoulos writes in his book, economic activities taking place in the shadow of the law affects all categories of workers, namely salaried workers, liberal professions, self-employed of every category and businessmen. There are, however, hundreds of thousands of individuals who are not part of the parallel economy and cannot engage in tax evasion. Their prosperity levels have been hit by, among other things, the excessive increase in the tax burden.

The parallel economy also has a significant effect on the continuation of inflation at high levels.

Insurance funds also lose billions of drachmas from the parallel economy because all those who work in the parallel economy do not pay contributions either as "invisible salaried workers" or as "liberal professionals" or businessmen.

On the other hand, however, one of the primary causes for the creation of the parallel economy is the frightening increase in the number of pensioners between the ages of 45 to 60. As mentioned in the book, early retirement and the guaranteeing of high pensions in comparison with salaries from work, as well as the decrease in the length of work all contribute to an increase in job offers to individuals who do not need insurance coverage (40 percent contributions together with bonus, leave, etc.) something that, of course, suits the employers.

## ALARMING FIGURES FOR SOCIAL INSURANCE ENTITIES RESERVES

Athens EMBISTEVTIKO GRAMMA in Greek 10 Jun 87 p 12

[Text] A disturbing table was recently published in the EXPRESS and OIKONOMIKOS TAKHYDROMOS reflecting the reserve in the funds of the social insurance organizations.

It is noted that "a pension insurance" for the insured exists when the insuring organization saves or invests the money of the insureds so that it can pay it back to them many times over when the time comes for them to retire.

TABLE

Development of Current Income and Expenses  
of Social Insurance Funds  
(in million drachmas)

	Current Income(1)	Current Payments(2)	Savings (3=1-2)	Savings as % of Current Income
1960	5,600	5,044	556	9.9
1965	13,454	12,401	1,053	7.8
1970	26,164	23,070	3,094	11.8
1975	57,110	49,147	7,963	13.9
1978	119,130	105,050	14,080	11.8
1981	236,150	231,610	5,140	2.2
1983	430,650	433,250	-2,600	-0.6
1984	523,400	560,470	-37,070	-7.1
1985	635,500	704,150	-68,650	-10.8

Source: National Accounts of Greece

The state insurance organizations (funds) are, of course, using part of such savings to finance current pension needs by redistributing the national income at the expense of future generations. It is a logical practice but with one precondition: that the country is on its way to development-- which means that future generations will indeed be richer.

With this information in mind, the country has not had pension insurance since 1981-1982 because, as the table below shows, the insurance funds managed by the state do not save the contributions of the insureds (the savings is negative).

We could even exaggerate slightly by saying that for insured Greeks no worse situation could exist, because no one can imagine anything worse for an insurance fund which for years saves negatively (has no reserves). It is a situation which can only be negatively described as non-insurance.

7520

CS0: 3521/143

## TAX EVASION ON VALUE ADDED TAX

Athens I AVGI in Greek 4 Jun 87 p 1

/Text/ Minister of Finance Dimitris Tsovolas acknowledged yesterday the existence of tax evasion in retail sales. He did say, however, that he still does not have (although it is now June) exact data about the trend in public revenues and that he did not want to endanger evaluations. Teams made up of pertinent services of the YPEDA /Service for Goods Movement Control/ throughout the country were able to conduct checks on only a limited number of shops where it was ascertained that the required value added tax was not paid. Responsible government officials do not hide their concern about this year's trend in the state deficit but they concentrate their attention on the reduction of expenditures.

Thus, advanced educational institutes are facing very serious problems. A request for a special grant of 600 million drachmas to the University of Athens, a sum that is needed for it to continue operating, has not yet been answered by the government. Also heavily indebted are the local self-government organizations throughout the country. A deficit of 2 billion drachmas is shown for 19 municipalities and communities in Attiki. Twenty municipalities, including Salonica and Patrai, have not paid contributions amounting to 1.8 billion drachmas to the IKA /Social Insurance Foundation/.

In the meantime, the course of the balance of payments continued negative in April, with a big increase in imports. This information was provided yesterday by Minister of National Economy Simitis. Although he mentioned that the index increased only 0.3 percent in May, lesser than forecasts, the minister pointed out that the situation remains difficult and requires great persistence in the stabilization policy. Speaking at the annual ETVA /Hellenic Industrial Development Bank/ meeting, Mr Simitis transferred the responsibility for investments and development to private initiative.

5671

CSO: 3521/ 148

## BRIEFS

**JAPANESE LOAN**--In order to meet state needs the Bank of Greece has agreed to obtain a new loan amounting to 20 billion Japanese yen (approximately 19 billion drachmas) from a group of Japanese banks and firms. The duration of the loan whose servicing will be undertaken by the state is 10 years with a 5-year grace period. One half of the loan will have a fixed interest rate that will be one-tenth of one percentage point on top of the long-term interest of the Japanese long-term prime rate financing. This interest rate will remain fixed until the fifth anniversary of the date of inception of the loan at which time it will be readjusted on the basis of the then prevailing rate. Heading up this part of the loan are the Bank of Tokyo International, Industrial Bank of Japan, Long-Term Credit Bank of Japan, Dai-Itsei Mutual Life Insurance and Sumitomo Life Insurance Company. The other half of the loan will have a variable interest rate that will be the long-term interest of Japanese long-term prime rate financing that will prevail at each withdrawal of the loan and will be readjusted every 6 months or 12 months in accordance with the loaner's option. Heading up this part of the loan are Mitsubitsi Bank, Sawa International, Sumitomo Bank and Yasuda Trust and Banking Company.

/Text/ /Athens I KATHIMERINI in Greek 30 Jun 87 p 10/ 5671

**FIGURES ON FIRM CLOSINGS**--According to what the government itself admits through an answer given by ministers Simitis and Alexandris to a question raised by ND Deputy D. Sioufas, 53 maritime and 54 commercial and industrial companies ceased operations in our country in 1986 alone. According to what is mentioned in the ministers' answer the maritime firms had imported foreign currency amounting to 303 million dollars while the commercial and industrial firms had imported about 20 million dollars. Specifically, the answer added the following: "Commercial and industrial firms of Emergency Law 89/67 that imported 82 million dollars in 1982 imported only 68.5 million dollars in 1986. Maritime firms of Law 814/78 that imported 1.103 million dollars in 1982 imported almost half that in 1986, namely 542 million dollars. These are dramatic developments in one such important and foreign currency producing sector as a result of the changeable and wavering policy that was followed there also." /Text/ /Athens I KATHIMERINI in Greek 26 Jun 87 p 10/ 5671

CSO: 3521/149



## RELATIVE NATIONAL ECONOMIC STRENGTH ASSESSED

## Accounting Revision Ranks Italy Fifth

Paris L'EXPANSION in French 15 May-4 Jun 87 pp 93, 95, 97

[Article by Sophie Gherardi: "Italy--Fifth Greatest Power"]

[Text] Is Italy the fourth greatest economic power in the Western World? Come on, now! Ahead of Great Britain? Again, no. But ahead of France? Hard to tell. And yet, if current trends continue, our neighbor to the south will have soon surpassed us in the hierarchy of rich countries.

Just 2 months ago, Italy was in everyone's eyes sixth in the ranks of the OECD countries, following the United States, Japan, the FRG, France and Great Britain. Everything was in order. And now a simple technical reworking of the Italian national accounts has upset our vision of the world. In 1986, the gross domestic product of Italy came to 894,362,000,000,000 lire, or 4,160,000,000,000 francs, after an upward revision of 17 percent. The figure for Great Britain was determined to be 373,370,000,000 pounds, or 3,793,000,000,000 francs, a figure which has without a doubt been surpassed. France, for its part, has a total gross domestic product of 5,016,000,000,000, rather sharply increased in 1986 (as a result of the change in the statistical base and some accounting innovations, the INSEE revised its figures upward by about 2 percent). Italy is therefore "only" the fifth-ranked OECD power. Yes, but its economic development has been more rapid than that of France, and it may overtake it before the end of the decade.

Congratulations, Italy! Unless, obviously, there is some trick involved here. "Let me be the judge!" one wants to demand. It might as well be made clear at the outset that when it comes to national statistics, there is no arbiter, no court of appeal. Italy noted the anomalies in its methods of evaluating its national wealth. It was forced to correct them, and here we have the results. Neither the OECD nor the European Community is authorized to challenge Italy's figures or those of any other developed country, for the very good reason that they themselves rely on national data, and therefore on national statistical mechanisms. There is no justification, moreover, for challenging the scientific value of the Italian statistics, much less their good faith. They have very plainly illuminated the mechanisms of what is frequently called the

"Italian miracle"--a great deal of work, a great deal of savings, a great deal of investment. All of this produces a great deal of wealth. There is no miracle.

The great housecleaning in Italian national accounting was launched at the beginning of the 1980s. At the request of the government, an international commission of experts headed by Sir Claus Moser, formerly the head of the British statistical services, went through the working methods of the Istituto Nazionale di Statistica (ISTAT) with a fine-tooth comb. The commission made several recommendations, including stepping up statistical supervision of small enterprises, services and construction (more vulnerable to undervaluation due to illegal labor), establishment of quarterly rather than semiannual accounts, improving the consistency of price surveys, and finally, better use of the administrations as a statistical source. Apparently the review of accounts made in 1978 (which had already led to an increase of nearly 10 percent in the gross domestic product) was inadequate. It failed to clarify one of the great mysteries of the Italian economy--the simultaneous existence of per capita consumption comparable to that in the Northern European countries, and a savings rate exceeding that of Japan (20 percent of the available income, as compared to 15 percent).

Guido Rey, who was appointed president of the ISTAT at the end of 1980, will be the exponent of the new review. "We had access," he explained, "to a number of serious surveys--the 1981 census, the general surveys of industry, services and agriculture, and three specific surveys of small and average enterprises. We were able to cross-reference the results, which enabled us to make a profound reassessment of our estimate of the labor force."

The surprise was in fact a sizable one--the 28 million jobs are filled by 21 million individuals! This is explained by the diversity of the forms of activity, including full-time employees holding a second or even a third job, part-time workers, seasonal workers, household employees, etc. How, under such conditions, can the creation of wealth be assessed? The ISTAT then applied a concept borrowed from the European Integrated Economic Accounting System (SEC), the "labor unit." An individual working 60 hours a week would be counted for a unit and a half and a person working half time for a half unit, with the average being two labor units for full time. On the basis of this standardization, it was determined that Italy had 22.5 million labor units, or a million and a half more than the preceding evaluation showed. By crediting these suddenly discovered workers with the added value in the branches in which they are employed, it was possible to reveal a volume of goods and services production which had not previously been included in the statistics.

The revision was greater or lesser depending on the sector. For the service sector (+30 percent), first and foremost, the old statistical base provided a very imperfect picture of the tertiary aspect of the Italian economy. Next came construction (+15 percent), followed by industry (+10 percent), and finally agriculture (+4 percent). Five million Italians still maintain a link with the land, either owning their own plots or going regularly to the rural sector to do field work. "This urban-rural integration is very characteristic of Italy, and we were able to establish a model for it," Guido Rey explained.

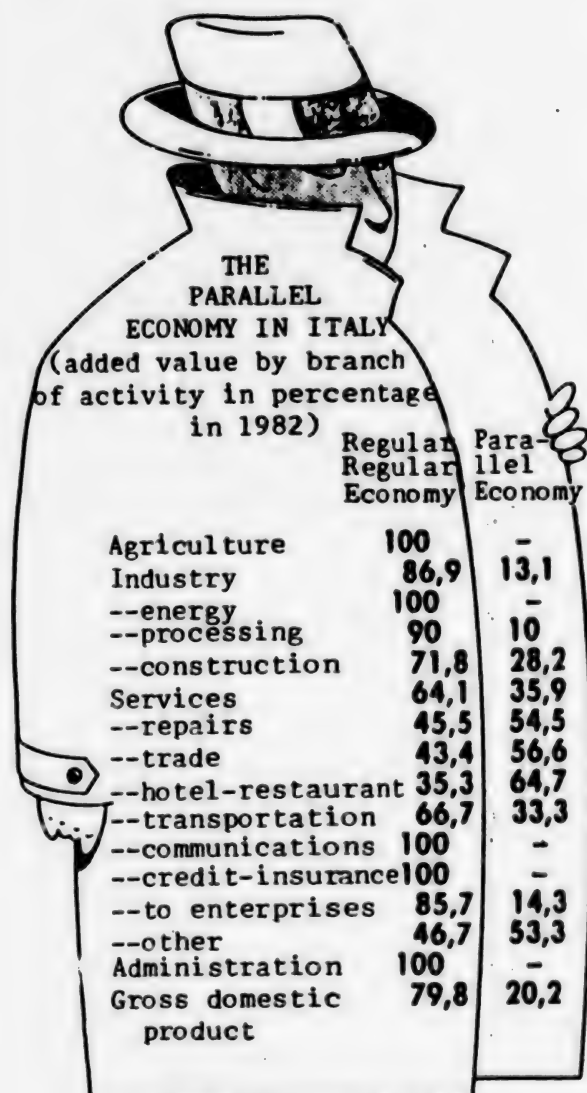
However, the most spectacular and the most significant review, from the point of view of utilizing the national wealth--that pertaining to the gross creation of fixed capital, or more simply investment--yielded a figure between 35 and 40 percent more than had previously been calculated for the years between 1980 and 1986! As Vincenzo Siesto, chief director of national accounting studies at the ISTAT, and one of the fathers of Italian statistical reform, emphasized, "The 1982 surveys of industry brought to light a veritable revolution in the production of equipment goods in the course of the last decade. The number of small and average enterprises in the mechanical sector had increased 30 percent, whereas we had thought it had declined! In the construction sector, we counted 4 million housing units, secondary residences mainly, to speak the truth, which the statistics had not included." The job-resources chart drafted in 1982, which had been used as a basis for calculations, showed excellent statistical consistency, according to Vincenzo Siesto.

The facts revealed by the ISTAT created a stir in Italy. "We are all richer!" the editorial writers exclaimed. The ill-humored refusal of the invitation to the monetary meeting of the Group of Five in Paris in February by the Italian delegation was a political reflection of this new awareness.

Guido Rey, the president of the ISTAT, appears to be upset by the triumphal uses made of the new national accounting figures in some instances. "One can make statistics say anything one wants. The citizens of Italy are neither richer nor poorer than before. Nothing has changed except that we have a better understanding of the Italian economy." But what does he think about the fact that some indicators, calculated in relation to the gross domestic product, have suddenly become less worrisome? "The tool is mistaken for the fact. For example, when the debt is discussed, there is always talk of the ratio of the debt to the gross domestic product. But the problem is not the ratio, but the debt itself!"

The economist Mario Arcelli, the editor of the Bank of Rome periodical *ECONOMIA ITALIANA*, shares this cautious analysis. "I think that the reassessment of the gross domestic product has more disadvantages than advantages for the economic policy. It is true that the public finance deficit seems smaller in proportion to the gross domestic product because of the increase in the latter, and the same is true for fiscal pressure. But it would be a serious mistake to think that we have additional maneuvering room. Whether the public debt represents more than 100 percent of the gross domestic product or only 90 percent, as the new assessments show, the problem is in no way changed. Another risk is that certain social categories (wage earners, in particular) will become aware that national income is being distributed to their disadvantage, and will demand a larger part thereof. This would pose a danger both for prices and for competitive capacity."

And what is the opinion outside Italy of the new national accounting methods? The OECD has not been officially informed. Its statistical departments, as is the case at this season every year, are awaiting the responses to the very detailed questionnaires about the economies of the member countries. "We are anxious to see Italy's response, Peter Hill, the head of the statistical bureau, said. "I have never known of such a massive revision of national



**THE MAJOR PROJECTS**  
(estimated public investment outlay in billions of francs at the average 1986 lira/franc exchange rate)

	1987	1988	1989
Transportation	77,6	97,7	120
--railroads	18,6	21	24,2
--highways	9,3	21	30,7
Energy	41,9	51,5	57
Communications	22,3	23,2	24,4
Various projects	110,5	118,2	125,1
<b>TOTAL</b>	<b>252,3</b>	<b>290,6</b>	<b>326,5</b>

Source: V. Siesta in *ECONOMIA ITALIANA*, May-Aug 87, "Statistiche macroeconomiche ed economia irregolare;" ISTAT and Italian Ministry of Finance figures.

figures. The Netherlands and the United States recently effected a 5 percent revision." An official in the statistical department of the EEC in Luxembourg suggested an explanation. "One must know what one is measuring, and with what standard measure. In the past, the ISTAT refused to see the submerged part of the iceberg, which was the black market. It has changed its measure, and it



is certain that we have a better picture of the Italian economy today. What one might regret is the method. There have been leaks to the press, and then the publication of incomplete results."

The basic fact remains. Italy has a strong and dynamic economy which in some respects reminds one of that of Japan. If France is truly to become the first economic power in Europe in the next 5 years, as Jacques Chirac has expressed the hope it will, Germany will not be the only country in its line of sight.

#### New Deal Italian Style

Paris L'EXPANSION in French 15 May-4 Jun 87 p 94

[Text] What a construction site Italy has become! This expression can be taken literally. Rome, Milan, Turin, Bologna and Naples are bristling with scaffolding, gutted by trenches and encircled by cranes. The Italy of the "second miracle," to use the title of a book by the economic journalist Giuseppe Turani, has undertaken to renew its infrastructures. Anyone who has tried to telephone Rome, to travel from Florence to Bologna by train, or worse, to drive through Naples in a passenger car will have no difficulty in understanding the need for such a program. Much more astonishing are the monetary sums allocated for these great projects--more than 850 billion francs (180 trillion lire) will be paid out of public funds in 1987, 1988 and 1989.

In the 1987 finance law, public investment credit accounts for 54,250,000,000,000 lire (258 billion francs). By way of comparison, the equipment credit included in the state budget of France for this year comes to 163 billion francs (37 percent less).

Why such an ambitious program? To stimulate growth, naturally. The tried and true New Deal formula is in use. Building bridges, highways, railroads and electric power plants provides the unemployed with jobs, increases domestic demand, and gets enterprises moving. In a liberal Europe operating under the slogan of budget austerity and nonintervention, this formula is a departure. Giovanni Gorla, the Christian Democratic minister of treasury in Bettino Craxi's cabinet, defined his policy thus: "Pushing development while scrupulously respecting the rules for the reorganization of public finances." Innocenzo Cipolletta, a CONFINDUSTRIA (an employers' organization) economist, puts it in plainer terms: "Italy is taking the risk of putting the locomotives of growth into motion, with all of the hazards for its balance of payments which this entails." Public investments, according to the government experts, should make it possible to create 290,000 jobs each year and to contribute to the extent of at least one tenth to the target growth of 3.5 percent of the gross domestic product.

With somber export prospects, Italy has chosen to stimulate domestic growth. Can it afford to do so? The national accounting reevaluation has made certain ratios, such as the budget deficit (reduced from 14.3 to 12.5 percent of the gross domestic product) and fiscal pressure (reduced from 43 percent to 36.9 percent of the gross domestic product) more presentable. But no one wants to see the public deficit, or taxes, increase. To finance its program, the government can count on greater fiscal income (which has in fact developed



greatly) and a reduction in current expenditures (reduction in the rates of interest on the public debt and an increase in wages in the public sector equal to inflation).

More down to earth questions remain. What projects should be carried out, by what operators, and in what time periods? A considerable effort is being devoted to the South (about 100 billion francs in credit allocations in 1987) for highways, the development of building sites and development of methane use. There is again talk of the bridge to span the Strait of Messina. In order to reduce corruption (the witnesses in the Mafia trial testified to kickbacks of 20 percent paid to local politicians to obtain contracts), a new law was approved in the fall authorizing the allocation of project bids to the private sector and mixed private-public financing. Giant consortiums are being established in the BTP, including such firms as Fiat, the Ferruzzi Group, the IRI and the Cooperative League ("red" group based in Emilia-Romagna). And the major projects? Parking areas to reduce crowding at historic centers, stadiums, business districts and bypass routes. The expansion is such that many projects will without a doubt languish in desk drawers, while others will inevitably result in scandals. But no one doubts the need for this New Deal. If the public sector in Italy does not measure up, production bottlenecks will soon develop. This is a line of reasoning which France pursued to its conclusion at the beginning of the 1970s.

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## MONTEDISON ROLES DETERMINED FOR GARDINI, SCHIMBERNI

Rome LA REPUBBLICA in Italian 29 May 87 supp pp 2-3

[Article by Marco Panara: "Montedison: Who Reigns, Who Governs"]

[Text] The stockholders' meeting has laid to rest all doubts about what Schimberni really represents. It has become clear that he is now in charge of management while Gardini has veto power and, therefore, control. It has also become obvious that the finance era is over and that chemistry is taking center stage.

Milan—Since last Tuesday, Montedison has had a new expendable man: its president, Mario Schimberni. For many months he was not expendable, and ever since the Ferruzzis began to take over Montedison, Schimberni opposed them with all his might. When the Ferruzzis succeeded, everyone inside and outside of Montedison concluded logically that Schimberni did not represent the controlling stockholders.

Since not even a colossus like Montedison can escape the fact that it is under stockholder control, it was generally thought that Mario Schimberni no longer represented Montedison.

The Montedison stockholders meeting was held under this scenario. The meeting was looked forward to particularly because nothing could be taken for granted.

It was held on Tuesday 26 May, and the outcome is well known: Schimberni remains at his post along with his two administrative assistants, Lino Cardarelli and Giorgio Porta. Raul Gardini remains vice-president; the board of directors has been enlarged from 15 to 21 members, 10 of whom are appointed by the Ferruzzi group acting as majority stockholder. Up to the day before the meeting, the speculation most widely accepted, even by those around Gardini, was that the board of directors would remain at 15 administrators, 8 of whom would represent the Ferruzzis.

## Difficult Negotiations

The solution adopted is the result of difficult negotiations, and it is certainly also the expression of Raul Gardini's personal conviction. If Gardini had kept Schimberni in the Montedison presidency and imposed his own majority in the board of directors, it would have meant only one thing to everyone: Gardini did not trust Schimberni, while the other fact, that Gardini appreciates Schimberni, would have faded into the background. Indeed, Schimberni would have emerged from the meeting with

less legitimacy than before, and Montedison would have suffered greater damage by seeing its initiatives blocked because its leadership would not have been recognized outside the company.

This being the case, Gardini adopted a solution whereby he can have his cake and eat it, too. Schimberni leads Montedison with full recognition of his role inside and outside the company. Meanwhile, although Gardini does not have a majority on the board of directors, he can block Schimberni at any moment if the opinions of the two differ on issues of major importance. Essentially, the stockholder gets control while the manager gets the day-to-day management.

Although it may appear as though nothing has changed, each one having kept his position, things have actually changed a lot. Tuesday's meeting closed a very important chapter in Montedison history. It began with the 1980's under the patronage of Mediobanca and Gemina; its purpose was to clear up the terrible mess that Montedison then was. The helmsman steering this course was Mario Schimberni. As chronicles of recent years have said repeatedly, he did not limit himself to launching a substantial housecleaning but also proceeded to reallocate resources inside the group by turning his attention to finances and insurance.

This refocusing of attention was fateful to Montedison as a stockholder company and did in fact free it from the patronage of Mediobanca and Gemina, which had been quite useful in the dark years. When Schimberni then began to theorize about making Montedison a "public" or managers' company, many inevitably thought that the talk of diversifying resources expressed not company strategy but a personal plan to gain total autonomy. True or not, it can now be said that if the plan was indeed to make Montedison a managers' company, it failed. Thus the course that was followed caused a new, much more solid stockholder company to arise from the ashes of the old. However, if BI Invest and, especially, Fondiaria were ultimately a good deal, the stockholders are still ready to say so.

The chapter that began with Gemina and includes Schimberni's "revolt" and led to the Ferruzzi thus came to an end on Tuesday with the public, formal announcement of the new situation and the investiture of the new, i.e. the old, leadership. A new era thus began on Tuesday, and it will presumably be a stable one for the stockholders and quite important for the company's structure. Also on Tuesday a weighty bloc of 38 percent of Montedison's capital was put into the "public company" venture, and Schimberni turned enthusiastically to chemistry. "Montedison is an industrial group in which chemistry is the major axis," Schimberni is recorded as telling the meeting, "and the company's presence in energy and services is a complementary means of support for gradual, solid development." Thus, in the second Schimberni era, chemistry becomes the central interest of Montedison; the rest becomes complementary. It is the most logical development for a group based upon chemicals, but there are some peculiar coincidences that make a more cynical interpretation possible.

In the not too distant past, when it seemed possible to remove Montedison from its tutelage, the Montedison president's new frontier was finance, which was not only an instrument of liberation but also a means of development. Now that there are no patrons but only a "boss," the new frontier has become chemistry.

However, there are other considerations. First, the Meta initiative, Montedison's service subholding, has reached critical mass in the financial sector. It holds almost 50 percent of Fondiaria, and it is impossible to foresee further massive investments in this sector. Meta is also structured like a financial company and covers the sector amply. Here, too, it is difficult to imagine large acquisitions. Of course, it will grow in the fields of finance and large-scale distribution, but its growth will involve mainly its internal structure.

### The New Frontier

Montedison's push toward finance could therefore be considered a structural development as well as a change in governance.

But another factor must be taken into account: numbers. If we consider the 1986 gross profits in each Montedison sector, we find that the tertiary sector made 111 billion lire, pharmaceuticals 240 billion, energy 129 billion, and chemicals 1.079 trillion. Of the 1.568 billion lire consolidated gross, chemicals and pharmaceuticals alone accounted for 1.319 trillion. From these figures alone it is hard to see how Montedison's new frontier could be elsewhere than in chemicals.

Let's bring all these things together: one stockholder holds more than 38 percent of the stock, which means that no surprise moves are now possible; Montedison's tertiary sector has reached the necessary critical mass; and chemistry is generating sizeable profits. Let us add another element: Schimberni's contractual power relative to Gardini is certainly not finance but, rather, chemistry. On the basis of this analysis, the ENI [National Hydrocarbons Agency] has made a bid to corner the chemical industry in Italy.

The proposal originally came from the ENI itself, but Montedison sat on it for many months. Four weeks before the stockholders' meeting, Schimberni trucked out the ENI proposal and turned it into a bigger project involving a general merger. The only catch was that Schimberni wanted Italian chemicals under Montedison's name or at least under Montedison's management.

The proposal is quite fascinating. For some 20 or 30 years now Italy has had this "chemical dream," which has been being achieved only by bits and pieces. Experts maintain that the plan has possibilities, especially in the industry. But Franco Reviglio's ENI has already considered the merger and given its response. They say that merging the Italian chemical industry is conceivable, but not under Montedison's authority.

However, Schimberni is pretending he didn't hear that, and at the stockholders' meeting he repeated loudly and clearly that Montedison insists on being in charge.

The issue, in the substance of industry and in its form (in terms of control) will be a lengthy and complex one, and it certainly represents the first great compromise in Schimberni's second era at Montedison.

### The Results

The second compromise is that of results. The report presented on Tuesday is undoubtedly good, compared with the past. But it is not yet satisfactory. Considering the forcing that enabled SELM to end the fiscal

year 20 billion lire in the black rather than in the red by a 100 billion or so, considering the creative bookkeeping used to paper over Standa's being hit by a restructuring hurricane in 1986, and considering the fact that Meta itself has relied heavily on extraordinary income for its results, the 320 billion lire net consolidated profits can be scaled down somewhat.

A positive factor that can be mentioned for 1987 is that it will be the first annual report done with all the dividends from the controlled companies. The 1985 annual report used many anticipated dividends that were actually taken out of the 1986 budget (this was not done again). The 1987 annual report will be finally submitted with full dividends.

#### Fewer Sales but Services are Taking Off

<u>sector</u>	<u>Net Sales</u>			<u>Net Operating Profits</u>		
	(in billions of lire)					
	<u>1986</u>	<u>1985</u>	<u>pct</u>	<u>1986</u>	<u>1985</u>	<u>pct</u>
chemicals	6.673	7.431	-10.2	747	534	39.9
energy	2.881	4.413	-34.7	4	272	-98.5
pharmaceuticals	1.236	1.315	-6.0	146	212	-31.1
tertiary	2.774	2.544	9.0	60	42	42.9
exchange	-730	-1.571		2	1	
Totals	12.834	14.132	-9.2	959	1.061	-9.6

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## DP POLL SHOWS 94.5 PERCENT AGAINST NUCLEAR PLANTS

Rome L'UNITA in Italian 10 Jun 87 p 5

[Article: "DP Referendum on Nuclear Plants: 94.5 Percent of 400,000 Polled Say No"]

[Text] Rome—The Democratic Proletarian Party released yesterday the results of polls taken by the DP in 338 communes (out of 8,080) in 67 provinces on Sunday. Some 400,000 people were interviewed. The DP has released the partial results of the poll on the basis of a little fewer than 300,000 opinions expressed. Some 94.5 percent of those interviewed said they were against nuclear plants, 5 percent were in favor, and 0.5 percent had no preference. The DP poll contained three questions, all concerning whether or not to use energy from atomic power plants. With very small variations in percentage, the answers were the same to all three questions.

Mario Capanna, who yesterday explained the contents and design of the party's poll, presented the results saying that "it was no phony or manipulated poll." A watchdog committee (made up of a representative from the Environmental League, a magistrate and a journalist) "ensured its fairness." Unexplained, however, were the criteria for selecting the 338 communes and the means of ensuring a fair poll throughout the territory in which it was taken. Capanna also said the poll was conducted in view of an imminent policy vote in order to remind the voters of the "referendum rip-off conducted by the Christian Democratic Party," "which postponed the proposal to hold public referenda right after the elections."

At yesterday's press conference were the DP leader and Gerald Haefner, an FRG Green Party deputy.

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ITALY

ECONOMIC

OLIVETTI TO SUPPLY HOLIDAY INN WITH COMPUTER TECHNOLOGY

Rome LA REPUBBLICA in Italian 30 May 87 p 44

[Article: "Holiday Inn Agreement with Olivetti"]

[Text] The Ivrea firm will supply the hotel chain with an information system.

Ivrea-The Olivetti company will furnish complete information systems to the American hotel chain Holiday Inn. The news was made public in a release from the Ivrea company. It adds that according to the terms of the agreement, which was signed in Brussels, some thousands of "Olivetti systems" (computers, networks and sales-point terminals) will be installed in Holiday Inns in Europe, the Middle East and Africa over the next 10 years. Olivetti's growing internationalization caused Olivetti President Carlo De Benedetti to concern himself increasingly with the international economic situation.

Thursday evening, the head engineer spoke in Florence and dwelt at length on the "perils of a recession." According to De Benedetti, "a further rise in U.S. interest rates are forecast for the next 2 or 3 months, as are protectionist measures designed to meet the U.S. trade deficit, which has been growing at the rate of \$13-15 billion a month.

"Consequently," the Olivetti president continued, "as the 1988 election approaches, U.S. interest rates will be brought back down in order to stimulate economic expansion." Indeed, he says, no administration "wants to run for election with a weak economy." As for the dollar, "it will follow the rise and fall of interest rates."

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